

Economic recovery up to us, says Peres

Jerusalem Post Staff
"Economic recovery is in our hands - not in Washington," Prime Minister Shimon Peres said last night when speaking to the Jerusalem branch of the Histadrut.

Explaining that he believes the U.S. will help Israel, Peres described as "rumours" reports that the U.S. has turned down an increased aid package. He stressed that he believes that the U.S. will provide all the aid it can.

Vice-Premier and Foreign Minister Yitzhak Shamir said in the cabinet yesterday it was inaccurate to say that the Reagan administration had turned down Israel's request for more financial aid next year. He said the reply to the official Israeli request submitted last week in Washington by the delegation of

senior officials had been "neither yes nor no."

The reactions of Washington, through a spokesman, meant that the administration wished to see more detailed economic reform proposals, Shamir said.

Minister without Portfolio Ezer Weizman said yesterday that the defence budget must be cut. In his first appearance before a Labour Party forum since his Yahad party joined the Alignment, Weizman told the party's Mashov group that the government had to take a calculated risk in slashing defence spending.

Weizman also called for a more active policy towards strengthening ties with Egypt and described himself as "a satisfied partner" with Labour. (Itim)

Cabinet votes posts for Peretz and Burg

By ASHER WALLFISH
Jerusalem Post Reporter
The cabinet yesterday voted to appoint Yosef Burg of the National Religious Party as minister of religious affairs and Yitzhak Peretz of Shas as interior minister.

The cabinet thereby set the final seal on the solution to last week's dispute between the two parties, which at one stage threatened to bring down the national unity government.

In a jocular mood, Prime Minister Shimon Peres opened the relevant item on the agenda by saying: "I've got good news and I've got bad news. The good news is that I'm asking you to vote on a proposal to appoint Yosef Burg as minister of religious

affairs and to co-opt Yitzhak Peretz to the cabinet as minister of the interior. The bad news is that following your vote I shall cease serving as acting interior minister and as acting religious affairs minister.

Science and Development Minister Gideon Patt proposed that the cabinet hold a formal vote on the re-arrangement instead of approving it by a general consensus. Peres then asked Patt if he wished to make a statement on the proposal as such, but Patt said he did not. Peres then put the proposal to a vote and Patt was the only minister against.

One of Patt's associates said later that the minister believed Peretz would be totally ineffective as minister of the interior because of his inexperience and hence it was a grave mistake to give him the portfolio.

Urquhart due in Mideast

Jerusalem Post Reporter
UN Under-Secretary-General Brian Urquhart is due to visit the Middle East in January, it was learned last night. Urquhart will be visiting Israel and several Arab countries to discuss the UN's role in the area.

IDF kills infiltrator near Syrian lines

Jerusalem Post Reporter
METULLA. - A terrorist was killed by Israeli soldiers early yesterday morning on the eastern front in South Lebanon facing the Syrian army.

The man was a member of a gang which was detected when attempting to infiltrate IDF lines. The troops

opened fire. Weapons and ammunition were found by the man's body.

The Syrians have usually prevented such infiltration attempts from their zone.

Near the village of Adwar near Nabatya, a Katyusha rocket aimed at an IDF outpost was found and safely dismantled.



Prime Minister Shimon Peres addresses a reception in Jerusalem yesterday marking the 64th anniversary of the Histadrut. Labour Council Secretary Nissan Harpaz is at left. (Scoop 50)

Judge lifts ban on publication

Police foiled attack on U.S. Embassy

By JOSHUA BRILLIANT
Jerusalem Post Reporter
TEL AVIV. - A Tel Aviv judge yesterday lifted the ban on publication of details of a foiled plot by six Arabs from Gaza to attack the U.S. Embassy here earlier this month.

Reports of the attempt have already been published in the U.S. Police Minister Haim Bar-Lev spoke to *The Washington Post* about the affair and *Ma'ariv* copied an American TV report, but the rest of the Israeli news media adhered to a magistrate's court order banning publication.

Magistrate Yitzhak Raviv lifted the ban moments after police asked him to do so. The police acted after *Ha'aretz* and *Yedioth Aharonot* appealed against the ban.

The terrorists, six of whom are in custody and who may not be identified, had been day workers here. Police said they did not belong to any hostile organization but acted on their own.

They "got hold of some weapons and wanted to do something... They were very unprofessional," Bar-Lev said yesterday on Israel TV.

He added that the attempt was similar to the grenade attack on a Tel Aviv bus stop last week in which several people were injured.

Bar-Lev also said that although security personnel are checking safeguards at foreign institutions, he did

not expect any improvements would have to be made.

At yesterday's cabinet meeting, Bar-Lev was asked by his predecessor, Yosef Burg, why the episode had been withheld from publication. Burg was perhaps trying to suggest that Bar-Lev's own conversation with a *Washington Post* reporter had helped boost interest in the story.

Bar-Lev said the clampdown on the story was requested by the police to help the investigation.

According to one source, the six terrorists reconnoitered the area around the seafront U.S. Embassy building and allegedly examined routes for retreat. They scheduled the attack for December 2 and were to use "various weapons." The types may not be published, the court ruled.

The police presence at the embassy apparently deterred the terrorists. (Continued on Page 2, Col. 4)

'Time' answers Sharon in 'N.Y. Times' letter

Henry Grunwald and Ray Cave, chief editors of *Time* magazine have written a letter to *The New York Times* in response to an article published earlier by Industry and Trade Minister Ariel Sharon. The letter appears in *The New York Times* Week in Review section included in today's issue of *The Jerusalem Post*.

In first fortnightly consumer index—Prices holding midway through package deal

By AVI TEMKIN
Post Economic Reporter
For the first time in more than five years, the country enjoyed several weeks of relative price stability when the average price rise of clothing, furniture and entertainment-related activities during the first two weeks of this month was only 2 to 3 per cent. Food prices, not including fruits and vegetables, rose by only 0.6 per cent.

This emerged yesterday when the Central Bureau of Statistics published its measurement of recent price rises.

Retail prices at the end of November were 2 or 3 per cent higher than the monthly average. This could mean that price rises measured by the CBS in fact took place at the end of November, and that prices have remained relatively stable.

This is the first time that the CBS has issued a mid-month estimate of retail price increases. The estimate is based on 50-60 per cent of the goods and services consumed by the public.

The three-month package deal freezing prices and wages took effect on November 2 and will continue until February.

The relatively low price increases during the first half of December apparently confirm the Treasury's forecast of a lower than 10 per cent rate of inflation for the entire month of December.

The CBS report was welcomed at the Industry and Trade Ministry, where most of the monitoring of the price freeze takes place.

Price freeze coordinator David Brodet told *The Jerusalem Post* last night: "The rise in price of less than 2 per cent for manufactured goods is solid proof that the freeze is succeeding."

He said the December figures are better indicators of the freeze's effects than figures that included the first weeks of November when the freeze was too new to have much desired impact.

According to CBS figures, the prices of clothes and footwear remained stable, furniture and house appliances prices went up by 2.3 per cent and prices related to culture and

entertainments rose by 2.2 per cent. The prices of fruits and vegetables, which are not covered by the freeze, went up by 6.6 per cent.

Despite the relative stability in prices, some items registered large hikes. Thus the prices charged by private doctors rose by 7 per cent, prices of pens and pencils rose by 8 per cent, and electric appliances prices climbed some 5 per cent.

On the other side of the scale, dentists lowered their prices by some 2 per cent in the first half of the month. The prices of fuel, gas and electricity did not increase.

The CBS report sparked renewed talk about extending the package deal after government and Histadrut officials make what they called "necessary changes" in it.

The Jerusalem Post has learned from sources that there are ongoing informal negotiations between the government and the labour federation about the second stage of the package deal.

These negotiations have dealt mainly with wage levels for the coming months. According to the (Continued on Page 2, Col. 1)

Peres: Stable prices, wages for year

By ROBERT ROSENBERG and ROY ISACOWITZ
Jerusalem Post Reporters
Prime Minister Shimon Peres last night called for a "year-long stabilization of wages and prices" and said that "wasteful subsidies" should be cut.

Speaking to some 200 top Histadrut functionaries in Jerusalem, Peres warned that Israel "won't be able to sell its produce if there are wage increases." He indicated he already had support from Histadrut Secretary-General Yisrael Kessar for a year-long freeze on wage increases.

"The worker should know his wage will be stable and that there won't be ups and downs in the economy," said Peres, adding "I'm sure there won't be objections from the Histadrut."

Praising the public for taking the wage and price package deal "seriously enough to make it work," he said that minimal price increases in the fortnightly consumer price index published yesterday proved the deal "worked better than any of us expected."

Science Minister Gideon Patt said yesterday that the government did not have an economic policy, even for the next five weeks. He told KOL Yisrael's press conference program that without an overall economic plan the package deal would only lead to increased inflation.

Economics Minister Gad Ya'acobi yesterday told *The Post* he was encouraged to see that public watchfulness has prevented price rises in the first two weeks of the month. Nevertheless, he warned against what he called "the illusion that there is no longer an inflation problem." Ya'acobi said the cabinet is to decide on the next stage of the package deal in the coming two weeks.

Histadrut sources in Tel Aviv said negotiations for an extension of the package deal are expected to begin this week.

The groundwork for renewed discussions was laid during a weekend meeting between Peres, Kessar, Finance Minister Yitzhak Moda'i, and Histadrut trade union department chairman Haim Haberfeld.

Kessar reported to the Histadrut

central committee yesterday on his meeting with Peres and Moda'i. Following his report, the committee decided to demand the immediate resumption of negotiations between the government, the Histadrut and the private manufacturers for a follow-up package deal.

The aim of the extension will be to "continue the steps to stabilize the economy along the lines of the first package deal signed some seven weeks ago," Kessar said. He added that he had informed Peres and Moda'i that the labour federation (Continued on Back Page)

Travel tax IS\$4,000

Post Economic Reporter
The travel tax was raised yesterday to IS\$4,000, after being frozen at 39,920 since October 17. The package deal monitoring committee, which includes representatives of the government, the Histadrut and the employers, approved the increase.

Travellers who have already paid their tax will not be charged for the extra amount.

The big picture: black or white?

Israeli banking at the crossroads (III)

By PINHAS LANDAU

There are two distinct views of the development of the Israeli banking system, particularly in the last decade and a half. Having put the local scene into a wider international perspective, it is now possible to examine these two theses in greater detail.

For the sake of convenience, they will be summarized under the headings of "The Objective Circumstance Theory" and "The Sovereign State Theory," and will be referred to henceforth by these names.

Because they are so diametrically opposed - so that it is sometimes difficult to believe that they are analysing the same system - there is almost no point of contact between

the two schools of thought. In other words, they cannot be compared, only contrasted. Once that is done, some further remarks may be in order.

The Objective Circumstance Theory:
The Banks Within the Nation
The growth and development of the Israeli banking system must be seen in the context of the overall Zionist revolution and the process of rebuilding the land. Furthermore - according to some adherents of the "objective circumstances" theory, the particular socialist ideology of the founding fathers and early leaders of the state imposed its own parameters on the evolving banking system and its role.

This leads directly to that basic economic concept - the objectives of the firm. In the case of the banks, their objectives as corporate entities were not the text-book ones of profit-maximization and, in the banking context, the strict adherence to a conservative, risk-averse approach. These were not their primary objectives; indeed, they were not true objectives at all.

Thus, profitability was a necessary condition for their long-term functioning and very existence, but was by no means a *raison d'être*. Instead, the theory's proponents contend, the banks had to play the role of financial arm of the socio-political revolution that Zionism represented. To do that efficiently and effectively required a sound approach, good management and a solid track-record of business performance. But all these were means to an end, which was the wider one of economic expansion, immigration-absorption and job creation, insofar as they involved the banks.

From the very earliest days, the shortage of capital meant that the government's role in allocating that there was, put it in the driver's seat as regards deciding who got how much of what was going.

However, the government bureaucracy soon found that it was administratively incapable of managing the system of loans and their repayments. It was also relatively unsuccessful in raising the funds which served as the sources for those loans from the savings of the general public. As the economy grew, the banks found themselves the natural address for requests of assistance in marketing, managing and recycling the flow of funds both to and from the Treasury.

For these services, which the banks provided first and foremost as part of their national duty, the banks received either a margin or a form of payment in kind. In other words, they became, at best, brokers for the government, mediating between it and the lenders on the one hand and the borrowers on the other; or, they were given concessions or compensatory business of some sort in another, unconnected field. In a (Continued on Page 7)

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THE WEATHER

Forecast: Partly cloudy, possibility of rain.

	Yesterday's	Yesterday's	Today's	Max
	Humidity	Min-Max	Min-Max	
Jerusalem	63	10-13	11	17
Nahariya	72	8-12	11	17
Safed	67	8-10	9	15
Haifa Port	57	14-18	18	18
Tiberias	55	14-16	15	15
Nazareth	66	9-12	11	11
Afula	57	12-16	15	15
Shomron	58	10-14	13	13
Tel Aviv	51	13-21	19	19
B-G Airport	52	12-21	19	19
Jericho	38	11-18	19	19
Gaza	41	12-22	18	18
Beer-sheva	58	11-18	18	18
Eilat	46	17-20	20	20

ARRIVALS

Emunah Women of America honorary president and tour director Mrs. Melaine Oelbaum, and Mr. Maurice Oelbaum, for Emunah Women of America Builders Mission.

Congressman Samuel Goldenstein of Connecticut for Emunah Women of America Builders Mission.

CABINET

(Continued from Page One)
plenum this afternoon. It is likely to entail a debate, and although it is sure to win overwhelming coalition approval, the debate will afford the chance for a broad expression of views on the functioning of the Interior and Religious Affairs Ministries.

At Peres's request the cabinet also approved financial matters involved in the distribution of spheres between Shas and the NRP.

These matters, which require formal approval by the Knesset Finance Committee as well, include:
• Transferring from the Interior Ministry and the Housing Ministry, to the Religious Affairs Ministry, the allocations earmarked for construction of religious institutions.
• Transferring from the Interior Ministry to the Religious Affairs Ministry, 10 percent of the outstanding balance of allocations earmarked for the religious councils.
• In cases where local authorities fail to transfer the statutory funding to the religious councils, the Finance Ministry will transfer the money directly to the councils in response to a joint request to it, from the interior and the religious affairs ministers, whereupon the Finance Ministry would be automatically empowered to deduct the same sum from the allocations it normally transfers to the local authorities.

PRICES

(Continued from Page One)
sources. Finance Minister Yitzhak Moda'i wants to stabilize wages at their end-of-the-package deal level, which is similar to the average wage level in the middle of 1982.

Histadrut Secretary-General Yitzhak Kessar has had several talks with senior Treasury officials about these proposals and on Friday discussed them with Prime Minister Shimon Peres.

The sources told *The Post* that the Treasury thinks the wages in the public sector should be lowered. Public sector wages increased recently when workers received 4 to 8 percent pay raises.

According to the sources, Moda'i and Prime Minister Shimon Peres will try to use the apparent success of the package deal during its first half to push ahead the proposed cuts in the budget, especially the cuts in the Defence Ministry budget.

At least 4 dead in Italian train blast

BOLOGNA, Italy (Reuters) - At least four people were killed in an apparent bomb explosion aboard a passenger train in a tunnel between Florence and Bologna last night, police said.

In Rome, the Ministry of Civil Protection said there appeared to have been two bombs towards the rear of the train.

The train, bound from Naples to Milan, was packed with inter sports enthusiasts heading for the Alps.

To whom it may concern
Many thanks
to those who helped
(and "helped") me anonymously.
Elishava Aviv (Epstein)
12 Hatzema - 11 Hazayit, Haifa
0014-01-28

HOME NEWS

Land sales investigated

West Bank earth work said illegal

By MICHAEL YUDELMAN
Jerusalem Post Reporter

The Agriculture Ministry of the previous government issued illegal permits for ground preparation in a projected West Bank settlement, without the necessary approval of the Justice Ministry or the Ministerial Settlement Committee. Deputy State Attorney Pila Albek told *The Jerusalem Post* yesterday.

Attorney-General Yitzhak Zamir recently asked the police to investigate irregularities in West Bank land sales, north of Ramat Shimon, by Israeli entrepreneurs to hundreds of Israelis who may have jeopardized their savings.

Following *The Post's* investigation into the affair two weeks ago, which disclosed that plots in the area, the selling of which started in 1983, were still being sold in October, the Justice Ministry is considering another complaint to the police, Albek said.

Albek noted that at least two permits were issued by an assistant to former deputy agriculture minister Michael Dekel for earth work in the area called Kramim, without the necessary government approval. These permits are illegal, she said.

Albek said she advised Agriculture Minister Aryeh Nehamkin that the Kramim area has not been

approved for settlement and asked him to instruct his officials not to issue any permits for it.

She explained that the Justice and Housing Ministries must approve any projected settlement before any work can be carried out in the area. The Justice Ministry's approval is required also for areas earmarked as extensions of existing settlements.

"But Kramim is certainly not an extension of Ramat Shimon and no approvals have been given it. It is not even clear who owns the land," Albek said.

The affair was exposed when Advocate Giora Rubencko, acting for Eyal and Shoshana Ya'acov of Haifa, who had purchased land in Kramim, found several irregularities in the contract signed between the purchasers and contractor Moshe Gindi. Rubencko told *The Post* yesterday that he intends to ask the police to investigate the affair.

Gindi told *The Post* on December 6 that the deal was in advanced stages. He could not say how long it would take before purchasers could begin building but insisted that the Ministerial Settlement Committee had approved the project.

However, Gindi said the area was west of Ramat Shimon, while in the map given purchasers Kramim

was clearly marked well north of Ramat Shimon.

Sources close to MK Michael Dekel, who issued the permits for ground work in Kramim, told *The Post* yesterday that the committee had approved the project in principle and that the Justice Ministry's approval was not required in the case of private lands.

The sources said they knew that the police had been asked to investigate the affair in recent months and admitted that the permits had been issued despite the ownership dispute on the land. The sources confirmed that plots had been sold to hundreds of families. The Arab owners of the land apparently sold it to two different Israeli entrepreneurs.

The sources said that six entrepreneurs had bought land in the Kramim area and the Gindis had sold more plots than any of the others.

Some of the land bought by the Gindis is claimed by contractor Moshe Zar, currently under house arrest on charges of belonging to the Jewish underground. Zar would not comment on the land affair yesterday.

Dekel is Vice-Premier Yitzhak Shamir's candidate for deputy defence minister in charge of West Bank settlements.

Cabinet to hold discussion on Nakoura pullback talks

By ASHER WALLFISH
Jerusalem Post Reporter

The cabinet is expected to stage a special discussion on the Nakoura talks with Lebanon before the talks resume on January 7. *The Jerusalem Post* has learned.

Meanwhile, Minister without Portfolio Moshe Arens tried in the cabinet session yesterday to put a stop to the daily statements by ministers and Knesset Members about the need for a unilateral IDF withdrawal from Lebanon by getting Prime Minister Shimon Peres to state for the record that policy on Lebanon had not changed.

Peres said Israel wanted negotiated security arrangements based on the involvement of the South Lebanon Army and an enlarged Unifil contingent deployed over a broader area.

Defence Minister Yitzhak Rabin gave a classified report on the Nakoura talks which recessed last week for the holidays amid warnings

by senior military men involved that the ultimate collapse of the talks could entail unilateral action on Israel's part.

The call for a unilateral withdrawal will be aired by Labour MK Simha Dinitz in the Alignment faction caucus today when it holds a general foreign policy and security discussion. That discussion may show how Labour leaders feel regarding a change of government policy. Dinitz is also hoping to get approval for a debate in the plenum.

While a majority is likely to shape up inside the Alignment for some form of unilateral withdrawal in Southern Lebanon, opinions in the Likud are also far from monolithic.

At yesterday's cabinet session which was short, lasting under two and a half hours, all the ministers were present for the first time in a few weeks, including Industry and Trade Minister Ariel Sharon, and Science and Development Minister Gideon Patt.

Christians and Druse renew fighting in Kharroub region

BEIRUT - Artillery exchanges between Christian and Druse militiamen in the Kharroub hills bordering Israel's occupation zone in southern Lebanon broke out again yesterday, police and witnesses reported.

There was no casualty report available. Police said the fighting with field artillery and rocket-propelled grenades began early in the morning, hitting the villages of Debiyeh, Barja and Ain el-Hor in the hills south Beirut. Sniping and occasional rockets were reported on the coastal road. One Lebanese reporter said a stray shell hit about 30 metres south of Awali River, where Israel has its northern outposts, but the reporter said no one was injured. The clashes continued through the day.

The Christian-controlled "Voice of Lebanon" radio station said the leftist Muslim "Mourabitoun" militia and the Druse Progressive Socialist Party militia clashed in several neighbourhoods in Moslem West Beirut yesterday. Shooting could be heard in the western half of the capital, but there was no confirmation of who was involved or what started it.

Traffic was halted for 90 minutes

Arafat in Jordan to 'strengthen cooperation'

AMMAN (AP) - Palestine Liberation Organization leader Yasser Arafat flew to Jordan early yesterday morning and said he hoped to "strengthen Jordanian-Palestinian cooperation at all levels."

Arafat arrived at Amman airport shortly after midnight aboard a United Arab Emirates government-owned business jet. He had been visiting Qatar.

The PLO chairman usually meets King Hussein, when he is in the capital, but he was vague about details of his plans when questioned by reporters.

He noted that last month's session of the Palestine National Council affirmed "this special relationship with our brothers here in Jordan."

"It is our main target to increase and to strengthen Jordanian-Palestinian cooperation on all levels, and my visit here today is in this channel," he said.

Arab local council heads want separate union

SIFARAM (Itim) - Arab local council heads in the Galilee convened here on Saturday and proposed the establishment of a separate union for Arab council heads if they are not given more seats on the national Union of Council Heads.

The proposal came in response to the suggestion raised in the national union that Arab council heads would

be given eight seats on that union's 67-member board, and Druse council heads two. Arab and Druse local councils today form about a third of local councils in the country.

Arab council heads in the Galilee are now trying to convince their fellow council heads throughout Israel to establish the separate union.

Blind man, 70, dies in apartment blaze

TEL AVIV (Itim) - A blind man aged 70 suffocated yesterday when his apartment in the Hatzkva quarter went up in flames. Firemen broke into the apartment and found Bezalel Cohen dead in his bed.

Cause of the fire has not been determined, but firemen said it could either have been a heater or cigarette.

Neighbours said Cohen rarely left his home.

Ustinov funeral today

MOSCOW (Reuters) - Preparations were in full swing yesterday for today's funeral of Dmitri Ustinov, one of the most powerful men in the Kremlin, while thousands of Soviet citizens were bused to pay homage to his body lying in state.

GREENS. - A seven-member delegation of the West German Greens party arrived in Jordan yesterday as part of a fact-finding tour of the Middle East.

Threat of unauthorized settlements

By JOSHUA BRILLIANT
Tel Aviv Post Reporter

TEL AVIV - A spokesman for Jewish settlers in the West Bank said yesterday they were giving the government "a few more days" to come up with plans to establish new settlements there. Otherwise, "we will establish (them) without clear approval," Otniel Schneller, secretary-general of the Council of Settlements in Judea, Samaria and Gaza, told *The Jerusalem Post*.

The earliest showdown is expected tomorrow when would-be settlers in Nablus seek to light Hanukkah candles there. The plan calls for meeting in the afternoon at Joseph's Tomb.

The action will "start" there, Schneller said.

The group plans to reach Mount Eival overlooking the town and Schneller said he did not know what would happen along the way.

A defence source told *The Post* last night the ministry had rejected a request to light candles in the Arab town.

Schneller told *The Post* the settlers expected to renew their efforts to establish new sites "within a few days."

A source close to Likud MK Michael Dekel said a Likud team has been trying to push for early implementation of the coalition agreement to establish five to six settlements, but Labour has been trying to delay it.

He added he did not believe Gush Emunim would try to establish a new settlement. The Gush settlement movement, Amman, had tried this at Otniel in South Mount Hebron and failed for lack of funds, the source said.

ATTACK FOILED

(Continued from Page One)
They decided to postpone the operation, but the first arrests were made that day.

Police set up a special task force. The suspects led the security forces to an arms cache here.

The court ban on publicizing the arrests was issued on December 5 and *Ma'ariv*, which published the report, was threatened with contempt of court proceedings. Some papers sought to hint at what had happened by publishing pictures of the fortified entrance to the embassy, although the barrier erected to prevent car bombs was put up before the attempted attack, a source said.

Ha'aretz and *Yediot Aharonot* noted in their court appeals that the story had been published in the U.S. and that Bar-Lev was even quoted as having commented on it. Thus there was no justification to bar the information from the local readers.

Sarid to Peres: Don't allow VOA station

MK Yossi Sarid (Citizens Rights Movement) yesterday called on Prime Minister Shimon Peres to turn down an American request to set up a relay station here which would beam programmes to the Soviet Union.

Sarid, in a cable to Peres, said it would be a serious mistake for Israel to be its "master's voice." Sarid noted that Spain, Greece and Turkey previously declined to let the Americans set up relay stations for the Voice of America.

SEMINAR. - Educators from 13 countries discussed the future of education in a five-day seminar organized by the Jerusalem Municipality.



Egged driver Arye Klein yesterday receives a certificate and a cheque for IS60,800 from Jerusalem Mayor Teddy Kolek for discovering a suspect package in the capital's Jaffa Road in November. Flanking the mayor are Jerusalem police chief Haim Elbades and a representative of the Christian Golden Apples organization, which donated the prize money. Other recipients, who also discovered bombs, were Nahama Zamir, Roni Tam, Zion Caspi, Daniel Robes and Aliza Gilata. (Dan Landau)

Gov't sets in motion plan to save Ata

By DAVID RUDGE
Jerusalem Post Reporter

HAIFA - The government yesterday empowered the special ministerial committee handling the Ata crisis with full responsibility for enforcing the new plan to save the firm.

Under the proposed recovery plan - calling for government financing of the textile plant's operations for the next 12 months - Ata would be split into autonomous units which would be required to show profit by the end of the 12 months. Any department, from yarn making to product finishing, that failed to make the grade would be closed and its employees dismissed.

A list of 366 people to be dismissed from the plant even before the plan is implemented has been drawn up, but the final number could be higher depending on the outcome of an inquiry into Ata's operations.

The Jerusalem Post learned that a cabinet discussion of the recovery programme planned for yesterday was postponed at the request of Finance Minister Yitzhak Moda'i.

He reportedly asked for more time to check how much money the gov-

ernment will have to inject into Ata in the next year. The sum being considered is between \$8 million and \$9m.

The ministerial committee on Ata comprises Moda'i, Energy Minister Moshe Shahal, Industry and Trade Minister Ariel Sharon or his stand-in Justice Minister Moshe Nissim, and Labour and Social Affairs Minister Moshe Katsav. The committee believes that an industrial expert's inquiry into Ata's operations is a first priority. Nissim and Moda'i apparently agreed that Alexander Peleg, former general manager of the Delta textile firm, is the best man for the job.

Peleg, while not yet officially accepting the post, has already held consultations with members of the committee and with representatives of Ata's works committee.

He reportedly told the employees that his investigation would take at least two months and only after its completion would a decision be taken concerning the number of employees to be dismissed.

The Post learned that the idea of government intervention in Ata's

crisis was proposed by Energy Minister Shahal more than three weeks ago but was not made public for fear of jeopardizing the prospects of saving Ata.

So far none of the prospective buyers has made a serious bid, although Shahal said a West German firm backed by Jewish financiers had expressed a real interest. The West German concern is reportedly acting in conjunction with Israeli businessman Yekutiel Federmann.

The recovery programme was welcomed in principle by Ata's employees. Works committee chairman Pinhas Groob warned, however, that many questions remain. "We still don't know all the details of this recovery programme, including the compensation payment that will be made to those who are to be dismissed," he said.

The Histadrut central committee yesterday welcomed the plan as well, but Secretary-General Yisrael Kessar warned against premature excitement, and stated bluntly that the Histadrut "will not rest until a permanent solution has been found" to Ata's financial problems.

Premier: Israel strong enough to make peace

By ROBERT ROSENBERG
Jerusalem Post Reporter

Prime Minister Shimon Peres believes the "atmosphere of hatred is gone," and that Israel "is strong enough to make peace."

In a speech yesterday to Histadrut members in the capital, the premier said that reducing the level of domestic tensions was a top priority for him, and he gave as an example his demand that the economic pack-

age deal be negotiated through agreement, "rather than imposed by law."

He also said there has been a decline in ethnic tensions which had been used to make political capital. "In general," he said, "the hatred is evaporating and this makes me happy."

Turning to issues of war and peace, Peres said that "we offer peace because we are able to protect

ourselves. In general, I don't understand those people who say that it weakens us to declare our desire for peace."

The premier was applauded when he vowed that Jerusalem would not be divided for the sake of any peace agreement, and declared what he called "the failure to strengthen Jerusalem as the capital, to double and triple its population."

Tel Aviv council approves sharp cuts in city budget

By MICHAEL YUDELMAN
Jerusalem Post Reporter

TEL AVIV - The municipal council yesterday agreed to Interior Ministry and Treasury demands for drastic budgetary and personnel cuts.

The city will cut some 500 posts, mainly temporary ones, reduce municipal services and raise taxes in order to pay back government loans granted to bail the city out of its financial plight. The government aid was given after an 11-day municipal workers' strike earlier this month, on condition that the city sharply curtail its expenses and increase its income.

Mayor Shlomo Lahat called on the government not to exceed its own budget, thus setting a bad example to the local authorities. He noted that

the government recently cancelled important sources of city income, such as business and entertainment taxes, and did not keep its promise to pay taxes on government offices in the city. The government failed to keep its promise to compensate the city for the cancelled taxes, Lahat said.

The city's executive committee decided over the weekend to fire some 300 education workers, close or sharply reduce activities of 22 community centres, cut welfare and cultural services and cancel entertainment events planned for Purim, Independence Day and the summer holidays.

From now on the city will concentrate on basic municipal services, such as garbage collection, lighting, water and sewerage.

High Court to hear petition on Petah Tikva

A panel of three High Court justices is to hear an application by the religious faction of the Petah Tikva municipal council, asking the court to order the municipality to show cause why it should not cancel the amendment to the municipal by-law concerning hours that businesses may remain open.

The municipality amended the law to permit the Hechal Cinema to remain open on Friday nights. The religious faction maintains that the amendment is illegal.

The High Court is also due to hear an application from the municipality, asking for a show cause order against the interior minister, who has so far refused to ratify the amendment.

The two applications will be heard together on Friday. The court threw out a third application by a Haifa citizen on the subject. (Itim)

Man, 90, killed by car

PARDESS HANNA (Itim) - A 90-year-old man from here was struck by a car and killed on Saturday night as he was crossing a highway. The driver, a 23-year-old resident of Baka al-Gharbiya, was held for questioning and his licence was suspended for 90 days.

Also on Saturday, 28-year-old Shalom Kuperman of Moshav Olesh was seriously injured when the truck he was driving collided with another truck on the Netanya-Tulkarm road.

NO POWER. - The Israel Electric Corporation switched off power supplies to the Yehud local authority yesterday because of non-payment of debts totalling more than IS6 million. This was the second time in the past two months Yehud has been disconnected.

In deep sorrow we announce the death of

JULIUS WEISS

at the age of ninety.

Founder and Trustee since 1922, past President and Chairman of P.E.F. Israel Endowment Funds Inc. he was a dedicated Zionist who unstintingly served the philanthropic and economic interests of Israel. We mourn his irreplaceable loss, and extend our sincerest condolences to his family.

P.E.F. Israel Endowment Funds, Inc.
Sidney Musher, President

In deep sorrow we announce the death, after a long illness of our sister

HENNY KOPPEL

nee Hirsch

Fritz and Henni Hirsch and Family - Haifa
Olga and Ernst Friedlein and Family - Johannesburg

Cabinet told about Soviet Jewry plight

By JUDY SIEGEL
Jerusalem Post Reporter

The cabinet yesterday heard reports of a worsening in the condition of Soviet Jewry, and called on the free world to press for the freedom of Soviet Jews to immigrate to Israel.

The new ministerial committee on immigration, chaired by Absorption Minister Ya'acov Tsur, will meet today to hear more about the situation.

Among the causes of concern was the serious mistreatment last week of Prisoner of Zion Yosef Berenshtein. According to a phone call a few days ago from Jews in Moscow, Berenshtein was badly beaten by criminals in his cell and his face was injured to such an extent that he was not recognizable to his wife.

Berenshtein's wife, in a phone conversation to an Israeli friend, Felix Kishinir, last Thursday, said: "It may be too late to repair what has been done to him. But I beg you to raise his case at every opportunity. Maybe he can be saved, as much of his health as can be saved. I ask you to pray for Yosef's eyesight and put a prayer in the Western Wall. Promise me you'll do this to save him."

"Please continue calling us even though the authorities cut us off. We need help. We ask the government of Israel to protect us. We have lost hope. After 25 years of living with

my husband, I couldn't recognize him after the attack on him. Every moment may be fateful. We must save him."

Berenshtein, a 47-year-old mechanical engineer, his wife Fanya and their daughter Yana first applied for an exit visa in 1979. After their first refusal, he was forced to leave his place of work and profession and got a job as a metal worker. The authorities have been persecuting the family—arresting Yosef for short periods, threatening the daughter, throwing rocks at their windows—since 1980.

In addition, Yuli Edelstein went on trial for the alleged possession of "drugs"—a small stone found in his apartment—that the KGB claimed the young penitent Jew used for "ritual purposes." At the same time, another Jewish activist, Dan Shapiro, was arrested for 10 days for "attacking a policeman."

Meanwhile, students and faculty members of the universities around the country will hold solidarity days for Soviet Jewry during the next week. Assemblies will be held at Ben-Gurion University of the Negev tomorrow; at the Hebrew University and Bar-Ilan University on Wednesday; and at the Faculty of Agriculture of the Hebrew University, in Rehovot next Monday. Students will be asked to sign petitions that will be taken to various embassies.

Histadrut asks support for oppressed Jews

Jerusalem Post Reporter
TEL AVIV. — The Histadrut executive yesterday called on trade unions around the world to use their influence with the Soviet Union in the cause of Jewish rights and emigration.

Addressing a special meeting of a committee devoted to Soviet, Syrian and Ethiopian Jewry, Secretary-General Yisrael Kessar said that the Histadrut was "honour-bound" to

identify with Jews in distress. "We proclaim, loudly and clearly, 'Let my people go,'" Kessar said.

The meeting was also addressed by Jewish Agency chairman Arye Dulzin and representatives of oppressed Jewish communities. It was repeatedly disturbed by interjections from representatives of the pro-Soviet Democratic Front for Peace and Equality.

Driving lessons to be reviewed

Jerusalem Post Reporter
TEL AVIV. — Transport Minister Haim Corfu yesterday appointed a committee to study driving teaching methods and road tests.

The committee does not have a fixed date to submit its findings to the minister.

The committee will compare the ways driving is taught in Israel to systems abroad.

It will study the quality of different driving schools in Israel; the use of simulators in the teaching process;

the instruction of nighttime driving; driving in interurban roads and driving in extreme conditions, such as traffic jams and wet roads.

It will also study the possibilities of allowing teenagers to study driving in high school as is done in many countries in the world.

The committee will be headed by Professor Ezra Sadan, who teaches economics at the Hebrew University's Faculty of Agriculture. It will interview a list of experts but will not survey public opinion.



Tatyana Yankelovich, the step-daughter of Soviet Nobel Peace Prize laureate and physicist Andrei Sakharov, arrives in Israel over the weekend. She attended the award ceremony of the Technion's Andrei Sakharov Science and Technology Journalism Prize, held at Beit Sokolow in Tel Aviv yesterday. Tatyana, who with her husband Yefrem was granted permission to leave the USSR in 1977, now lives near Boston. She said at the ceremony that as long as people can make informed and intelligent political choices, democracy will survive. (Israel Simonsky)

Jerusalem of 110 years ago seen in precisely built model

By ABRAHAM RABINOVICH
Jerusalem Post Reporter

An 18-square metre model that precisely reproduces the topography and structures of Jerusalem of 1873 was on Friday seen for the first time by Mayor Teddy Kollek. The model was brought here recently from Geneva where it was kept for the past century, most of that time in storage rooms.

It was rediscovered earlier this year at the initiative of a Hebrew University student, Motti Ya'ir, and a Jewish family in Switzerland and has been loaned for 10 years to the Jerusalem Municipality by the Swiss evangelical association which owns it.

Prof. Yehoshua Ben-Arieh of Hebrew University, a leading authority on 19th century Jerusalem who was also present at the model's unofficial unveiling, pointed out that it showed a wall around Mahne Yisrael, the second Jewish neighbourhood built outside the walls of the Old City. Existence of such a wall had not been known before.

The model also shows the telegraph lines running up Jaffa Road and entering Jaffa Gate, put up by

the Turkish authorities around that time. Kollek noted that there were no houses built up just outside of the city walls except for two customs sheds near Jaffa Gate.

"If we had this model 15 years ago it would have been much easier getting everyone's agreement for the park around the walls," he said.

The dome of the Hurva Synagogue, destroyed in 1948, stands out prominently in the texture of the Old City of a century ago on the high ground of the Jewish Quarter. The Muristan, where today's Church of the Redeemer stands, was still an open space. The Austrian Hospice is among the buildings that stood out a century ago but have since lost their prominence.

The model had been built by a young Hungarian, Stephen Illes, working in Jerusalem for the Franciscan order as a bookbinder. Basing himself on architectural surveys and aided by two assistants, he completed the model in about six months.

The model will not be on public display until its restoration by experts from the Israel Museum is complete, probably late next year.

Christmas celebrations focus on Bethlehem

By HAIM SHAPIRO
Jerusalem Post Reporter

Thousands of local Christians and pilgrims from around the world are expected to visit Bethlehem this afternoon and tonight for Christmas Eve celebrations.

The festivities are due to begin shortly before noon with the procession of the Latin Patriarch, Giacomo Beltrami, from his residence in Jerusalem to the Basilica of the Nativity in Bethlehem.

At 4 p.m. a Protestant service is scheduled for Shepherd's Field in Beit Sahur adjoining Bethlehem and at 8:30 p.m. an Anglican carol service will take place in the courtyard of the Orthodox Church. At the same time, three local and seven visiting choirs will sing from a special

bandstand erected for the occasion in Manger Square.

At midnight, mass will be celebrated in Saint Catherine's Roman Catholic Church, which adjoins the Basilica. Entry to the mass is by invitation only. Those unable to attend may view it on a giant TV screen in the square. The mass will also be shown on Israeli TV and broadcast worldwide.

Transportation to Bethlehem will be available by special Egged buses from the Egged parking lot in Talpote, by bus from Damascus Gate and by sherut from Jaffa Gate. Private cars without special permits will not be allowed into the town.

All those wishing to visit Bethlehem during the holiday should bring their passport or identity card. In preparation for the holiday,

Tourism Minister Avraham Shafir yesterday toured Bethlehem and met with Mayor Elias Freij, who told him that during the past year, not a single tourist had been molested or attacked in the town. Later, Freij told a reporter that his hope for the coming Christmas is that Arabs and Jews will be able to live in peace together, "each in his own homeland."

But for Freij, and other Orthodox Christians, Christmas celebrations will come on January 7, while the Armenian Christmas festivities will be marked on January 19.

Tens of thousands of tourists arrived in Israel in the past few days as Christmas and Hanukkah coincided. Some 50 in-coming flights were expected yesterday at Ben-Gurion Airport.

Two charged with violently robbing Arabs

TEL AVIV (Itim). — Two young Jerusalem men who pretended to be security agents and proceeded to threaten their way into Arab villagers' homes and rob them were charged with violent armed robbery in district court here yesterday.

The charge sheet says Moshe Danino, 21, and Nissim Fahima, 22, wearing Israel Defence Forces uniforms, last April forcibly entered the home of the village mukhtar (leader) at a-Lubnan, near Nabulus, searched it, stole 30 dinars and left the mukhtar locked in the bathroom and his family locked in the house.

In another incident, the two are accused of entering a home in Khajia, in the Tulkarm district, hitting a child there with a pistol and stealing 100 dinars and gold coins after threatening the woman in the house.

The two are also accused of stopping a Beit Likya resident on the road from Ramallah to Latrun and forcing him to abandon his car, which they later set alight.

In all, the two are charged with nine robberies, a number of them perpetrated with a third accomplice.

The prosecutor asked the court to extend their remand until the completion of their trial. The court is to rule today.

Druse boy suspected of stealing grenades

HAIFA (Itim). — A 15-year-old boy from the Druse village of Ushfiya near here was remanded yesterday on suspicion of stealing 37 IDF grenades from army stores.

The police told a magistrate's court judge that they found the grenades hidden near the village, and had evidence linking the weapons to the boy.

The police also said they suspected him of stealing a pistol from the home of a lawyer in the village. The suspect was remanded for eight days.

Arab bus attack accused to stand civilian trial

The High Court of Justice yesterday dismissed the appeal of David Ben-Shimon to stand trial at a military court for the rocket attack on an Arab bus in Jerusalem in October, in which one person was killed and 10 wounded.

The court supported the decision of Attorney-General Yitzhak Zamir to have Ben-Shimon tried before the Jerusalem District Court. The question of whether the district court is entitled to try Ben-Shimon can be considered by the court itself, but there are no grounds for intervention by the High Court, ruled the three-justice panel.

Zamir decided to try Ben-Shimon before the civilian court because, although he is a soldier, his alleged offence was committed outside the army framework. (Itim)

Doctor appeals jail term for indecent behaviour

A Tel Aviv gynecologist convicted of an indecent act on one of his patients, and who has been sentenced to a jail term, yesterday appealed to the Supreme Court to delay the serving of the sentence.

Dr. Moshe Ulian also asked the court to overturn the sentence.

Ulian said he should not be jailed for giving in to a momentary impulse. He said that he and his family had already suffered enough since his arrest one-and-a-half years ago. (Itim)

Nurse absolved in gas switch

Jerusalem Post Reporter
A Health Ministry investigation committee yesterday absolved from blame an operating room nurse who administered nitrogen gas instead of oxygen to a patient who consequently suffered irreversible brain damage.

The committee found that the nurse acted according to standard practice and could not be considered as having been negligent.

The incident occurred last July at Assaf Harofeh Hospital when Michael Stamper, a young pregnant woman underwent a Caesarian section due to difficulties encountered in delivery. The surgery was successful and a baby boy was delivered in good health.

However, when the anesthetist wanted to give her oxygen to wake her up from the anesthetic the apparatus did not work. He asked the operating room nurse, a veteran worker, to see to it. She found that the oxygen tube had become disconnected. She inadvertently reconnected it to the nitrogen supply instead of the oxygen.

Stamper is still in a coma with no possibility of recovering, the doctors say.

As a result of this case, the Health Ministry this week issued new directives to all hospitals on handling oxygen and other gases and placed direct responsibility on the anesthetist to check the supply.

Divorces on the rise in Israel

Jerusalem Post Reporter
HAIFA. — Divorce is on the rise in Israel, as in all Western countries, and has reached 1.3 per 1,000 of the population.

This is still below the 5.5 per 1,000 in the U.S. and 2 to 3 per 1,000 in Western Europe, but it has already resulted in the growth of single parent families, which have increased three-fold during the past decade.

Today there are 12,000 single parent families in Israel, 89 per cent of them headed by a woman.

These statistics were quoted by social worker Nitzan Ben-Dor, lecturer

at the Tel Havi College, at a symposium on divorce and children, held at the Haifa University last week.

She said divorce statistics had changed drastically during the recent past, with a large drop in divorces in the first year of marriage. There was an increase in later divorces, with children involved. Divorced men remarry more frequently than women.

Ben-Dor stated that research had disproved the argument that children of divorced parents appear more frequently among juvenile delinquents.

Marine officers strike 2 ships in pay demand

Jerusalem Post Reporter
The Marine Officers' Union yesterday struck two Zim freighters, the Zim Marseille and the Negev Oron, for 12 hours in Haifa port.

This follows a six-hour strike of the Zim New York in the port on Friday, which brought to an end six years of industrial peace in the merchant marine.

The union announced that it was demanding full linkage to the dollar

of all their pay including their Israeli wages. They warned that they would continue striking ships without prior notice until their aim is achieved.

The shipping companies rejected the demand, saying that they cannot afford higher wages during the continuing shipping slump. They noted that because the seamen's wages are dollar-based, their crew expenses are already 30 per cent above those in Western European fleets.

Hashish worth \$1.5m. seized in northern Negev

BEERSHEBA (Itim). — The police over the weekend seized 1,046 kilos of hashish in the northern Negev. A police spokesman said yesterday that the drug seized was worth \$1.5 million.

He said two Beduin, ages 26 and 27, were arrested. They were the driver and passenger in a truck carrying

bags of cement, which police intelligence had been told was also transporting 60 bags of hashish.

The two suspects attempted to flee on foot when their vehicle was stopped, but were caught after a short chase.

The spokesman said more arrests are expected.

Dispute stalls work on Ashkelon-Ashdod road

Jerusalem Post Reporter
TEL AVIV. — Work aimed at improving one of the country's most dangerous highways is being held up by a dispute between the Public Works Department in charge of widening the road and the Israel Electric Corporation.

The PWD says it cannot continue

work on the Ashkelon-Ashdod because road the IEC has not moved power lines.

The manager of the southern district of the IEC, Ya'acov Adini, says the corporation has not started moving the power lines because the PWD has not paid its outstanding bills.

Suspected cab fare fraud

Sick fund, welfare office may have been charged double

By ILAN CHAIM
Jerusalem Post Reporter

ASHDOD. — The transport of local kidney patients to Rehovot for dialysis may be costing hundreds of thousands of shekels more than it should each month, The Jerusalem Post has learned.

An Ashdod dialysis patient's complaint about the handling of his case by the municipal welfare office led to discovery of the apparent overpayment. The Ministry of Labour and Social Affairs, under whose aegis the Ashdod social welfare office manages the funds, has begun an investigation.

The Ashdod patient, Morton Barban, 61, a diabetic, immigrated to Israel from his native U.S. in 1961, and worked for 17 years as an air-

craft mechanic for Israel Aircraft Industries and Elta. Due to a circulatory problem brought on by his diabetes, his right leg was amputated in 1981—but he continued to work at Elta.

In mid 1983, however, the circulatory problems led to kidney failure. He was forced to retire and to begin dialysis treatments. A month before he began dialysis, he lost the sight of his right eye due to a ruptured blood vessel. Due to a cataract in his right eye, he is now 90 per cent blind.

Because he lives on a 100 per cent disability pension from the National Insurance Institute, a partial pension from his former employment and shares an old age pension with his wife, Justine, 64, Barban at first received full compensation for his

cab fares to Rehovot's Kaplan Hospital and back for dialysis.

The 13 round-trips he must make each month cost, as of this month, IS135,200. Half of this is paid by his health insurance fund, Kupat Holim Meuhedet, and from August to December, 1983, the other half was paid for by the Ashdod welfare office. A year ago, the welfare office determined that he was not entitled to any of his help.

Barban told the authorities he could not pay half the fare. His case was appealed and it was decided he qualified as an "exceptional case" and the welfare office would pay 25 per cent of the fare. He would have to pay the remaining 25 per cent, the remainder being paid by the sick fund.

This arrangement lasted until this September, when Barban began eye treatment at the hospital, in addition to his dialysis. Despite his attempts to schedule the eye appointments on the same days as dialysis, he told The Post, the cab driver retained by the welfare office refused to drive him there an hour or two earlier.

The reason given by the driver and the welfare office was that this arrangement would inconvenience a second dialysis patient, who shared his cab. At this point, Barban refused to pay his share of the fare, claiming that he had been overcharged all along.

Barban told The Post that, for 15 months of dialysis, he received a monthly receipt from the cab driver for the total cost of the 13 round-trips. He alleges that his fellow passenger received duplicate bills—all of which were paid in full. This would mean that the cab driver was paid twice for the same journey. His fellow passenger, a woman, has since died.

Barban said he suspected something was strange about the book-

keeping at the outset. But when he questioned the procedure at the welfare office, he said they told him "not to worry about it" and that it was not his business.

The director of the welfare office in Barban's neighbourhood, Yitzhak Zacharia, scoffed at Barban's allegations, saying there is "no such thing" as duplicate fares. Zacharia also said Barban's allegations should be discounted, because "the man is unbalanced due to his illness." However, when questioned further, he and the administrator in charge of Barban's case, Miriam Ben-Naim, made inconsistent statements.

First, both Zacharia and Ben-Naim vehemently insisted that Barban always rode to and from the hospital. But Miriam Shimon, a Kaplan Hospital social worker who works with dialysis patients, told The Post Barban arrived and left in the same cab with the woman patient for over a year.

Second, when asked whether the November taxi receipt for some IS109,000 in Barban's file represented the full or half fare, both Zacharia and Ben-Naim insisted it was for half the fare. But an independent Ashdod taxi company said the fare quoted was the full amount under Transport Ministry regulations.

One fact agreed upon by both the welfare office and the hospital is that about 12 Ashdod residents travel to and from Rehovot for dialysis treatments, three times a week. Thus the health fund and the Ministry of Labour and Social Affairs could be paying for 144 trips this month, a total of about IS1.5 million in taxi fares—or they might be paying double.

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WEEKLY REVIEW

Major News

In Summary

Weinberger
Wins a Round
On the Budget

In the Administration's intra-mural battling over the budget for fiscal year 1986, Defense Secretary Caspar W. Weinberger has won a preliminary skirmish. The White House announced last week that President Reagan, who has tentatively approved domestic spending cuts of \$34 billion, had decided the Pentagon should have to make do with a mere \$8.7 billion less.

If the President has his way, the Pentagon's uniformed troops will get a smaller-than-hoped-for raise and its civilian hands will, like other Federal employees, take a 5 percent pay cut. Trims will be made in purchases of certain weapons and ammunition, but big-ticket programs like the MX missile and B-1 bomber won't be touched.

Mr. Weinberger said he and Mr. Reagan had agreed that the military's share of the budget should be "determined by factors external to

Britain has threatened to quit in a year if the organization doesn't make stronger efforts.

Forgotten in the politics of the withdrawal, some scholars say, are the benefits of American participation in the agency's projects. "There is at present," concluded a recent National Academy of Sciences study, "no viable overall alternative to Unesco's science programs."

Shuttle 'Secrets'
Quick to Surface

The civilians in charge of America's space shuttle flights are eager for publicity, but it was always assumed that once the military began lifting payloads into orbit, things would be different. They are. Last week the Pentagon tried to restrict news coverage of next month's launching of the first shuttle to have an exclusively military mission.

The Air Force's chief spokesman, Brig. Gen. Richard Abel, announced that published "speculation" about the shuttle's payload might result in an inquiry aimed at reporters' sources. Further, he said, details about all future military shuttle flights — as many as 8 to 10 a year over the next 3 years — would be tightly controlled. He and other officials said a clampdown was essential to keep Moscow from learning too much about American satellite capabilities. Some news organizations said they would comply with Pentagon requests and not release supposedly classified information — much of it gleaned from public testimony and technical journals — about the Jan. 23 mission.

But at midweek, The Washington Post reported that the shuttle would carry a new satellite to collect intelligence-rich electronic signals over the Soviet Union and transmit them to receiving stations. Secretary of Defense Caspar W. Weinberger called the report "the height of journalistic irresponsibility." Benjamin C. Bradlee, the Post's executive editor, countered that the paper had withheld "information we knew the Pentagon considered sensitive." As General Abel had warned, the Justice Department began a hunt for leakers.

Amid the concern about military secrecy, civilian scientists had found a way across the East-West divide. A University of Chicago physicist disclosed that an American-designed comet-dust collector was on a Soviet spacecraft that was launched last weekend, bound for Halley's comet.



Crèche in Washington.

Season's
Quandaries

In New York City, in Washington, D.C., in Barrington, R.I., and in many other cities last week, public officials struggled over how, where



Mikhail S. Gorbachev and his wife, Raisa (left), being greeted by Prime Minister Margaret Thatcher at Chequers, the Prime Minister's country home, last week. British Foreign Secretary, Sir Geoffrey Howe, is behind Mr. Gorbachev.

Soft Sell

The New York Times/Paul Bonstrom
Secretary Caspar W. Weinberger

the United States," not solely by fiscal concerns. But there was said to be considerable resentment around the executive branch at the Pentagon's escaping with comparatively shallow cuts.

Nor was the news welcomed on Capitol Hill, where the real battling over spending will take place. "If they are unwilling to make cuts in the defense budget," said Representative Joseph P. Addabbo, Democrat of Queens and chairman of the House defense appropriations subcommittee, "We will have to take it upon ourselves to go ahead and make those cuts." Senator John H. Chafee, Republican of Rhode Island, dismissed the proposed Pentagon reductions as "minuscule."

The White House's chief spokesman, Larry Speakes, seemed unmoved by the clamor. "The President will show Congress the way," he said, "and will not hesitate to go to the people to present his case."

U.S. Parts Ways
With Unesco

When Unesco was founded in 1946, its first leader, the British biologist Julian Huxley, hoped it would clear the way for international intellectual cooperation free from international politics. Instead, Western leaders have argued, the United Nations agency has ended up in a blind alley, captive to leftist demagoguery and a bloated bureaucracy.

Last week, the Reagan Administration was through complaining. The United States said it would leave the United Nations Educational, Scientific and Cultural Organization on Dec. 31, making good on a threat of a year ago to quit unless Unesco changed. "Extraneous politicization continues," the announcement said, as does "an endemic hostility toward the institutions of a free society — particularly those that protect a free press, free markets and, above all, individual human rights."

Washington did not close the door completely. "When Unesco returns to its original principles, the United States would be in a position to return to Unesco," said Gregory J. Newell, an Assistant Secretary of State.

The organization will lose the American contribution — a huge 25 percent of its budget. The State Department has complained that 80 percent of Unesco's \$374 million biennial budget is spent at its Paris headquarters, and that many of its programs are redundant.

For the United States, political differences began in the 1960's when decolonization created more nations in the third world. As they joined Unesco, Western influence declined. Americans objected to one Unesco move after another, from attacks on Israel to the proposal for a "new world information order," which they said would mean the licensing of journalists.

Amadou-Mahtar M'Bow of Senegal, secretary-general of Unesco for the last 10 years, said Washington's

and whether to display the symbols of the season. In Scarsdale, N.Y., a 6-by-9-foot crèche was locked away — as it's been since 1981 — awaiting a decision by the United States Supreme Court on whether placing the privately owned religious display in a small public park violates the separation of church and state.

Lacking a definitive court ruling, officials tried, not always successfully, to minimize discord over the display of holiday symbols intended to promote peace and good will. In New York, the city's Corporation Counsel ruled that a Catholic organization could place a crèche in Central Park for the first time in several decades. Two Hanukkah menorahs have been permitted on city-owned land for seven years.

In Washington, a Nativity scene was included in a Christmas pageant erected on the Ellipse, south of the White House, for the first time since the courts ordered it removed in 1973. Federal park officials, like their counterparts in New York City, based their decision on a Supreme Court ruling in March that permitted the City of Pawtucket, R.I., to sponsor a manger scene on city property. The Pawtucket crèche, however, was part of a larger, mostly secular display; legal experts expect the Scarsdale case to test the legality of a Nativity scene standing alone on public property.

In some cases, citizens lost patience with the slow, deliberate legal process. A committee in Barrington, R.I., for example, decided to defy a city ban and set up a life-sized crèche on the lawn of town hall. Public works crews dismantled the scene the next day. And in Nashua, N.H., a Federal judge ordered the city either to remove a privately owned crèche from the grounds of city hall or to put up a sign saying the city did not endorse Christianity or Christmas.

Prime Minister
Margaret Thatcher on theGandhi
seeks his
mandate

3

A Disarming Russian Steals
The Scene on Weapon Talks

By BERNARD GWERTZMAN

WASHINGTON
AS President Reagan and his senior aides looked ahead to next month's talks with the Russians in Geneva, they were distracted by developments in Europe, where British and French leaders last week offered unsolicited suggestions for the agenda of the long-stalled dialogue on arms control.

The Administration was concerned that in the important public relations contest that seems to accompany every arms control negotiation, the Soviet Union seemed to be putting the United States on the defensive. Instead of solid support in advance of George P. Shultz's talks with Andrei A. Gromyko in Geneva on Jan. 7 and 8, Washington was getting what seemed to be unhelpful reactions from two of its closest allies. The support seemed to waver and there was outright criticism of the long-range research plans for defensive weapons, the so-called "Star Wars" program, which lie at the heart of United States strategy for the negotiations.

Much to Washington's chagrin, while Mr. Reagan and his aides worked in private, Mikhail S. Gorbachev, the 53-year-old Politburo member who is widely considered second in command in the Kremlin, was winning admiring comments from all levels of British society as he called for a new era of détente.

Prime Minister Margaret Thatcher, whose anti-Soviet views have usually rivaled Mr. Reagan's, said after meeting Mr. Gorbachev and his wife Raisa, "I like Mr. Gorbachev. We can do business together." But later in the week, she reassessed her support for the Administration's approach to arms control. The smiling Gorbachev also charmed the tabloid Daily Mail, which dubbed them "the Gucci comrades."

The British seemed impressed, in part, by their evident good health, in sharp contrast to the aged and infirm Soviet leaders of recent years. One of the latter, the 76-year-old Defense Minister, Dimitri F. Ustinov, died last week after what Tass said was "a grave illness." Mr. Gorbachev abruptly departed for Moscow to take part in the funeral. Mrs. Thatcher also left London, on a round-the-world trip. She stopped first in Peking, where she signed the agreement that will ultimately return British Hong Kong to China. At her final stop, Washington, American officials expected that she would give Mr. Reagan her views on East-West relations in light of what appeared to be a new Soviet opening.

It was a time of widespread interest in how the superpowers would deal with each other. After months of hostility toward the United States and its allies, the Russians are again on a *mir i družba*, or "peace and friendship," campaign.

They hold out the possibility of new arms control agreements (but only if the United States takes the first step) and new trade prospects before the economically pressed Western European countries.

Hardly noticed in the flurry of attention to the "new look" from Moscow was a major about-face in Soviet policy that in democratic countries might have brought down a government. After refusing for a year to return to negotiations unless the United States met its conditions, the Rus-

despite the approaching talks, there were persistent indications that East-West trust was hardly flourishing. It was reported last week that a large-scale American-Japanese naval exercise this month in the vicinity of Vladivostok, the principal Soviet base in the Far East, touched off surveillance by hundreds of Soviet planes and ships. No incident occurred, but the encounter was a reminder of the potential for trouble.

In Washington, the Administration got into a dispute with the press over how much should be made public about the first exclusively military manned space shuttle. Also last week, the Russians seemed to be carrying out their own secret test of a prototype for a manned space shuttle. In both cases, the secrecy was intended to keep the other side off guard. These tests had little to do with the imminent negotiations, but they were an indication of the fast pace of developing military technology.

On the policy level, senior officials, particularly Defense Secretary Caspar W. Weinberger, were troubled most by the widespread criticism of the Administration's plans to develop what it calls the Strategic Defense Initiative, or "Star Wars." The plan, carrying Mr. Reagan's endorsement, is to invest billions to develop a shield that would protect the United States, Western Europe and Japan against incoming nuclear-armed missiles.

The proposal has been criticized as unworkable by many American scientists and other defense authorities. Some of them have called it an enormous waste of money. But Mr. Reagan and Mr. Weinberger say the project offers a way out of dependence on the threat of mutual destruction, presently the main deterrent against nuclear aggression. Other officials, in briefings for reporters, suggested that "Star Wars" could be scrapped as part of a comprehensive accord if the Russians agreed to significant cuts in their big land-based missile force.

Fears in Europe

At the NATO Foreign Ministers meeting two weeks ago in Brussels, Mr. Shultz won support for the American plans for Geneva. But the backing seemed only *pro forma*. A few days after Mr. Shultz flew home, Mrs. Thatcher was meeting Mr. Gorbachev and then saying on BBC television, "Obviously you cannot stop research going ahead, but I think one does not want to go into a higher and higher level of armaments." But she went out of her way late in the week to say she is "staunchly behind the President in going ahead with the research."

In Paris, however, President Francois Mitterrand, whose tough views on the Soviet Union have endeared him to Washington, said that the "Star Wars" project was a case of "overarming, which is not the path to take." He continued, "We must move toward disarmament, that is a balance at the lowest possible level," he said, adding that he opposes the militarization of space, a development the Russians also insist they oppose.

Despite American reassurances that Star Wars technology would also protect Europe, some Western Europeans expressed concern that in time of high tension, fighting would inevitably break out on their territory. This was their latest version of persistent fears that the United States might "decouple" itself from the defense of Western Europe. Mr. Weinberger ignored most of the criticism but said, "There's not the slightest possibility that America would be decoupled from Europe by the pursuit of this vital initiative."

Mr. Weinberger and Mr. Shultz, meanwhile, continued their private battle for Ronald Reagan's support. Officially, the Administration's negotiating plans were being worked out in interagency meetings broadly supervised by Mr. Reagan. In reality, as several officials confirmed, senior officials such as Mr. Shultz and Mr. Weinberger were meeting privately with Mr. Reagan hoping to attract him to their point of view.

The World

Iranians Say Four Hijackers Will Be Tried

The ways of justice seem as arcane as many other features of life in Iran, so the State Department last week was restrained in its praise when Iran announced that the four hijackers who were captured at Teheran airport on Dec. 9 would be tried under "the penal law of the Islamic Republic."

The announcement by Hojatolislam Mir Emadi, a prosecutor, left in doubt how soon the proceedings would begin, who could watch, and whether the terrorists would be charged with the murder of two American hostages aboard the Kuwaiti airliner. Three other hijackers who blew up an Air France plane in Teheran in August are also awaiting trial, the prosecutor said.

"We expect the trial to be open and the sooner it is held, the better," said Alan Romberg, the State Department spokesman. "An open trial obviously is the greatest assurance that the world community will have that Iran is dealing seriously with these murderers." American and Kuwaiti officials have suggested that Iran and might have been in collusion with them. However, two American passengers who survived the hijacking said they did not see evidence of Iranian participation.

According to the official Iranian press agency, the prosecutor said the hijackers were being questioned and a trial date would be set when the investigation was complete. He rejected as "irrational" extradition requests from Kuwait and the United States, "because no country has so far extradited to Iran hijackers of Iranian airlines."

Iran has not revealed the identity or nationality of the Arabic-speaking hijackers, who unsuccessfully demanded the release of a group of Shiite Muslims jailed in Kuwait for the bombing of the American and French Embassies there a year ago. The prisoners are members of Al Dawa, an Iraqi underground group sponsored by Iran's Council for the Islamic Revolution.

Diplomats and government officials in Kuwait and other Middle Eastern capitals were concerned that the hijacking might be part of a pattern of regional violence, which has recently included assassinations of several Palestinian and Jordanian officials. "This tragedy," an Arab diplomat in Kuwait said of the hijacking, "is not the end. It is just the beginning."

U.S. Lifts a Polish Sanction

The United States last week lifted an important sanction against Poland, which promptly did its best not to appear appreciative. The Reagan Administration said it would no longer oppose Poland's attempt to rejoin the International Monetary Fund, thus opening the way for the Government to seek new help for its economy and to ease its \$35 billion foreign debt.

The action was taken because of the release this month of prominent political prisoners in Poland, State Department officials said. They were Bogdan Lis and Piotr Mierzejewski, the last remaining leaders of the former Solidarity labor movement under arrest for treason.

But before Washington could make its announcement, the police in Gdansk rearrested another former Solidarity leader, Andrzej Gwiazda. He was sentenced to three months in jail for participating in a demonstration last Sunday led by Lech Walesa, Solidarity's founder. Policemen, armed with tear gas, riot sticks and smoke bombs attacked 2,000 people trying to march from St. Brigid's church to place flowers at the shipyard monument that honors people killed in the 1970 protests against



Associated Press
Lech Walesa leading Solidarity supporters last week.

food-price increases.

However, Mr. Walesa and Mr. Lis, also a participant, were able to go home without police interference.

The State Department deplored the Gdansk incident but went ahead with its announcement. A spokesman said lifting of remaining sanctions — refusal of credits and most-favored-nation tariff advantages — depends on "further progress in the process of national reconciliation in Poland."

The Polish spokesman, Jerzy Urban, said the lifting of opposition to Poland's I.M.F. application move was "a step in the right direction," but Polish television dismissed it as "another proof of the fiasco of the American policy of sanctions."

Islamic Meeting Seats Egypt

The "enemy of mine enemy" is often the best friend a Middle Eastern leader can find. Working at least partly on that principle, Egypt has gathered support from King Hussein of Jordan, Yasir Arafat, and other Arabs who are at odds with Egypt's principal adversaries in the region — Syria, Libya and Iran. Those three countries are trying to maintain the ostracism of Egypt put into effect after Anwar el-Sadat's 1979 peace treaty with Israel.

Last week, the Egyptian strategy showed results. Despite objections, Egyptian Foreign Minister Esmat Abdel Meguid was seated at the annual meeting of the 45-nation Islamic Conference Organization, which had suspended Egypt. The conference also gave a place of honor to Mr. Arafat, the Palestine Liberation Organization chairman.

Syria, Libya and Iraq had threatened to walk out if Egypt was seated, but that didn't happen. Indeed, their campaign may have boomeranged. An Algerian delegate said his country was "fed up" with Syria and Libya and that they were "welcome to leave." Egypt hopes to persuade Algeria to follow the examples of Jordan and Mr. Arafat in restoring official relations.

The shared-enemy principle may also have figured in Algerian calculations. Algerian President Chadli Benjedid had an unpleasant surprise recently when his neighbors to the east and west, Col. Muammar el-Qaddafi of Libya and King Hassan II of Morocco, got together. Algeria and Morocco have been on opposite sides in the Polisario guerrilla war in the Western Sahara.

Gain for Qaddafi

American efforts to punish Colonel Qaddafi received a setback last week when the Libyan leader visited the Spanish island of Majorca and met with the Prime Minister, Felipe González.

Like his fellow Socialists, French President François Mitterrand and Greek Prime Minister Andreas Papandreu, who also have recently met with Mr. Qaddafi, the Spanish leader placed national concerns ahead of the United States policy of isolating Libya over its support of international terrorists.

Mr. González knew that Libya had recently given \$900,000 to Spanish Basque separatists, according to the Madrid magazine Cambio 16. He said after the meeting that the subject hadn't come up but that Mr. Qaddafi had promised not to interfere in Spain's internal affairs.

The promise was quickly broken. In a news conference, Mr. Qaddafi asserted that the Spanish enclaves in Morocco, Ceuta and Melilla, are Arab and he said that the González Government's moves to stay in NATO amounted to "entering a zone of hell." Most of Spain's leading newspapers expressed outrage at the Qaddafi visit.

Editor Gives Up On Sandinistas

Pedro Joaquín Chamorro Barrios was named for his father, the courageous Nicaraguan editor, whose assassination in 1978 helped to galvanize the Sandinista revolt that brought down the right-wing Somoza dictatorship the next year. Last week, the younger Mr. Chamorro said he was weary of battling heavy Sandinista censorship and would live in exile until it is lifted.

Mr. Chamorro gave up the editorship of La Prensa, Nicaragua's only independent newspaper. The family chose his uncle, Jaime Chamorro Cardenal, to keep it going. The paper has filed a legal complaint against the Government, citing 180 articles, photographs, cartoons and headlines it says were illegally censored in the first 12 days of this month. More than two dozen additional articles were banned last week, including one quoting the paper's anticensorship legal brief.

From his new home in Costa Rica, Mr. Chamorro said he would not ally himself with the anti-Sandinista "contras" based there. He described his exile as "indefinite," adding, "I don't think the Sandinistas are a permanent Government."

Milt Freudenheim,
Katherine Roberts
and Henry Glinger

Pindling Government Appears Unthreatened Despite Accusations

Drug Trade In Bahamas Is Creeping Into Politics

By ROBERT PEAR

NASSAU, the Bahamas — The unit of currency here, the Bahamian dollar, is precisely equal to the American dollar but bears a picture of Queen Elizabeth II. That combination neatly symbolizes the two influences that dominate life in these islands: 325 years of British colonial tradition, reflected in the parliamentary political system, and the overwhelming economic power of 20th century America just 55 miles away.

The two forces were evident in a report issued last week by a royal commission of inquiry, which said drug smuggling had damaged "almost all strata of Bahamian society." The commission said that immigration and customs officers and at least one former Cabinet minister had taken bribes, that lawyers and bankers had laundered drug money, while most Bahamians tended to "wink their eyes, or look the other way." Opposition leaders said the report showed that corruption had been allowed to flourish under the Government of Lynden O. Pindling, who has been Prime Minister for 17 years.

Tax-Free Attractions

The commission, formed to investigate allegations broadcast by NBC News in September 1983, said Mr. Pindling's spending clearly "far exceeded his income" in the last seven years. But the panel said it had been unable to determine whether he had taken bribes from drug smugglers seeking protection from United States law enforcement authorities. One of the three commission members said, in a separate statement, that "the circumstances raise great suspicion."

The report amounts to a searing indictment of Bahamian society, but its meaning for Mr. Pindling was less clear. Asked whether it provided a basis for prosecutions, Attorney General Paul L. Adley said: "I haven't the faintest idea. The police will have to investigate to see whether a crime has been committed." Mr. Adley, a member of the Prime Minister's party, which holds 32 of the 43 seats in the House of Assembly, said he did not expect Mr. Pindling to call an election soon.

The Bahamas has many ties to the United States. Tourism accounts for two of every three jobs, and 80 percent of the tourists come from the United States. Many of the large hotels and resorts are owned or managed by Americans. More than 100 American banks and trust companies have branches in the Bahamas. Many people and businesses shift some of their income and investments to the Bahamas, where there are no personal or corporate income taxes.



Bahamian Defense Force members looking for drugs on a private boat; Prime Minister Lynden O. Pindling.

The New York Times/Susan Greenwood; Sygma/Randy Taylor (Pindling)

Strategically situated between North and South America, the islands were a base for buccaneers and privateers in the 17th century, a way station for ships running the Union blockade of Confederate ports in the Civil War, and a base for bootleggers smuggling liquor into the United States during Prohibition. Today, much of the cocaine and marijuana arriving in the United States passes through the Bahamas, according to drug enforcement officials in Washington.

Bahamian officials insist that they should not be held responsible, any more than the Governor of Florida is held responsible for drugs that pass through his state. But the commission of inquiry said that "the whole nation must accept some responsibility," because "apathy and weak public opinion have led to the present unhappy and undesirable state of affairs."

Dissident members of Mr. Pindling's Progressive Liberal Party had been expected to challenge his leadership in October at a party convention held amid the palm groves of Paradise Island, just north of downtown Nassau. They reasoned that he was losing popularity because of the uproar over corruption in the Government. Arthur D. Hanna, a longtime friend of the Prime Minister and a possible rival, resigned as Deputy Prime Minister, warning that the party must not permit anything to "open a hole" in its "armor of integrity," which "could insure the demise of the Progressive Liberal Party as a political and moral force in the Bahamas."

But in the end, the party re-elected Mr. Pin-

dling as party leader without opposition, hailing him as a nation-builder who had led the Bahamas to full independence in 1973 and to black majority rule. Last week, party members again joined ranks behind him as his political opponents renewed their calls for his resignation.

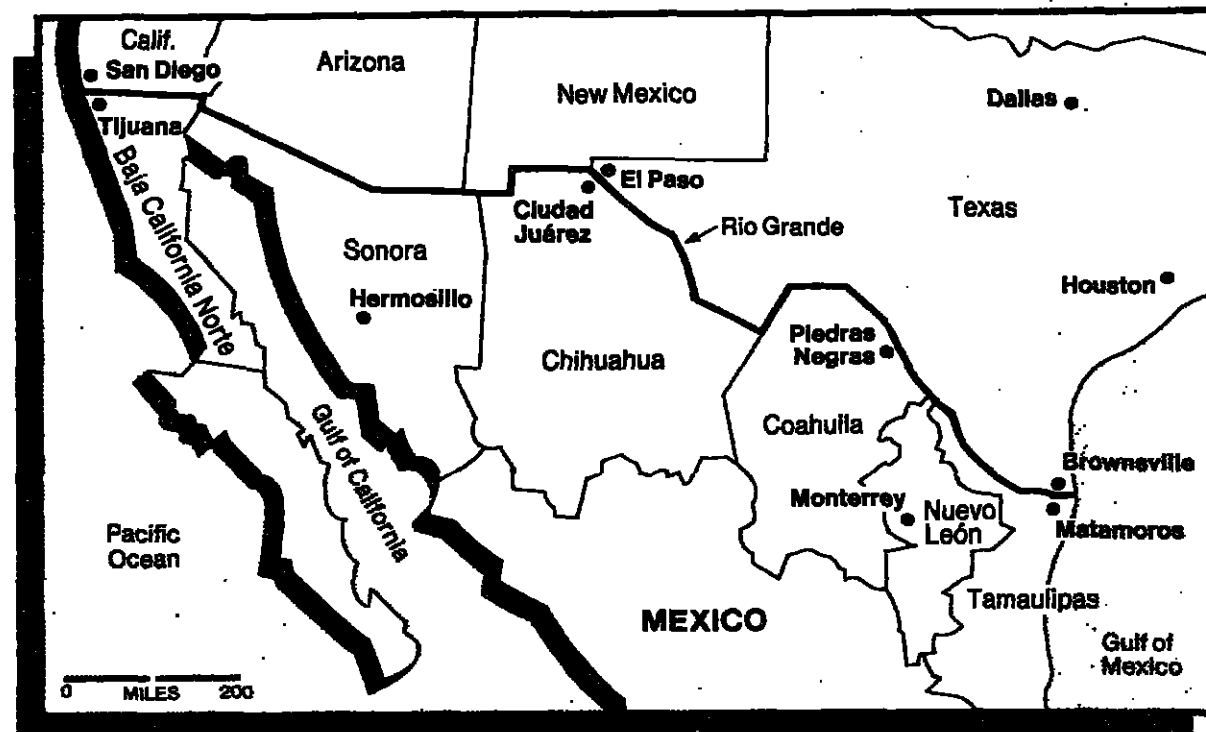
Mr. Pindling's Government has recently tried to seize the initiative in dealing with drug abuse, and he appears to remain popular with party members, who constitute a majority of the voting-age population. He is still celebrated for a dramatic protest against minority rule in 1965, when he threw the Speaker's mace out a window of Parliament. At that time, Mr. Pindling and his party denounced the power of a group of white businessmen, the "Bay Street boys," who owned most of the shops and businesses on Nassau's Bay Street.

History has now come full circle. Mr. Pindling and his colleagues, who attacked the local power brokers as corrupt in the mid-1960's, are now under attack. Kendall G. Isaacs, leader of the opposition in Parliament, insists that Mr. Pindling is surrounded by corruption and has "lost the moral authority to govern."

The historical parallels are not exact. The Government today is more representative of the people, 85 percent of whom are black. But many Bahamians are too young to remember Mr. Pindling's early days as a nationalist leader fighting the local oligarchy. It would not be unthinkable for them to miss the man whom their parents saw as a national hero.

Some Analysts Fear Violence in July Elections

Bad Times Benefit Mexican Opposition



By RICHARD J. MEISLIN

CIUDAD JUAREZ, Mexico — Relations between Mexico's north and the ruling Institutional Revolutionary Party in the capital have never been warm but in recent months they seem to have become downright hostile.

In Ciudad Juárez, Mexico's fourth-largest city, a brief hunger strike this month by the opposition Mayor drew unexpected popular support. The Mayor, Francisco J. Barrio Terrazas, was protesting political maneuvers by state-level forces of the ruling party. In nearby Sonora, an opposition candidate for governor, Adalberto Rosas López, is making a strong run, raising concern among officials of the Institutional Revolutionary Party.

In the border state of Nuevo Leon, which includes the powerful business center of Monterrey, the party has yet to find a gubernatorial candidate who it feels would be up to the stiff challenge expected from the opposition in the elections scheduled for July.

Some Mexican social analysts fear that the hostility could turn to violence, particularly if the ruling party draws on its familiar bag of tricks, which the opposition characterizes as election fraud, to hold onto power in next year's elections for seven governorships and Congress. "With the social situation the way it is," said a Mexican social scientist who sometimes advises the Institutional Revolutionary Party, "I would counsel them to let Sonora go."

That advice is not likely to go down easily with

the dominant party, known as the P.R.I., which has won every election for governor (and president) since it was founded 55 years ago. In Sonora, it has sent a Cabinet Minister, Rodolfo Félix Valdez, to be its candidate for governor. An aide to President Miguel de la Madrid Hurtado said this was a "clear sign of the President's interest in the race."

But Mr. Félix Valdez may have difficulties, despite his high rank. Sonora does not take kindly to outsiders, at least in state government, and Mr. Félix Valdez has not lived there in more than 40 years. Sonora's sense of efficiency, which is famous in Mexico, could also be offended by the Minister's most recent experience in running telephone and mail systems, which rate near the police on the list of least-admired public services.

The most serious challenger in these races is the National Action Party, whose more conservative precepts appeal to the business interests clustered in northern Mexico. Private business is losing enthusiasm for the P.R.I.-controlled Federal Government, which has been taking a growing role in business and industry in the name of recovery from the effects of devastating financial difficulties.

If support for the National Action Party was limited to a handful of business interests, as ruling party officials sometimes contend, it would not be much of a threat.

What concerns the Institutional Revolutionary Party is the conservative opposition's apparently growing following among middle-class people and workers frustrated by sharply reduced buying power, the slow pace of efforts to combat cor-

ruption and P.R.I. failure to deliver on its long and repeated promises of "egalitarianism."

These concerns are sharpened for northerners by their proximity to the United States. Even the most nationalistic Mexicans sometimes have trouble understanding why levels of economic opportunity should be so different on two pieces of land separated only by the Rio Grande. In Tijuana, which borders San Diego County, some jobs at Mexico's duty-free foreign-owned assembly plants have gone begging recently as workers took menial work at higher pay in the United States. The border plants have only recently begun redressing the wage discrepancy that allowed a worker to earn in 10 hours in San Diego a sum equal to a week's pay on the Mexican side.

The strains are compounded by American television. In Mexico City, it arrives by cable, with commercials excised. But border residents are treated to a display of American consumerism beyond many of their southern neighbors' wildest dreams, much less their pocketbooks. The northerners' frustration has grown as the devaluation of the peso has made it harder for Mexicans to keep up their habit of shopping in the United States.

Campaign suggestions that things could be different are thus perhaps easier for northerners to accept. In the 1983 elections, widely regarded as among the most honest in recent Mexican history, the opposition, and particularly the National Action Party, made gains in the north that were startling by Mexican standards. Important cities in the states of Chihuahua and Sonora elected opposition party mayors.

Water and Sympathy

The Institutional Revolutionary Party has tried a variety of tactics to deal with the threat. Some opposition mayors have been essentially cut off from their state governments, as the P.R.I. tried to show that electing an opposition local government can mean deaf ears at higher levels. Other localities have been deluged with state and federal projects in an effort to show where the power and money are, and where the gratitude should be directed.

How well these tactics work is open to question. The freeze-out treatment sometimes brings sympathy to the beleaguered local or executive. And people who suddenly get access to potable water are excited about that but not necessarily interested in its precise origin.

"We have more public works, more investment than ever," said a Juárez businessman and National Action Party partisan. "They want people to say, 'Look how good the P.R.I. is, look what they're doing.' But what they're saying is, 'how good it is to have a democracy.'"

A Victory This Week Could Be Prelude to an Era of Political Stability

In India, a Wave Crests For Gandhi And His Party

By WILLIAM K. STEVENS

NEW DELHI — If the opinion polls and other soundings are right, Prime Minister Rajiv Gandhi and his Congress Party are heading for an easy victory, perhaps even a landslide of historic dimensions, in this week's general election.

That much, almost everyone recognizes. But there is less agreement on what the Congress triumph, if it occurs, will mean to Mr. Gandhi's future political standing and to the stability of India's deeply rooted but somewhat battered democracy.

The hopeful view is that the election can be a watershed, a chance to make a new start after years in which Indian politics became more and more disorderly, violent, manipulative and corrupt.

"More than anything else," said India Today, perhaps the country's most respected news publication, "the landslide that is forecast indicates a desperate desire for change." Indian voters, the magazine added, appear to be pinning their hopes on Mr. Gandhi as "the only politician who is unencumbered by a political past and who speaks the language of modernity and change."

A less lofty interpretation is that since Mr. Gandhi's opposition has offered no persuasive alternative to him in the eyes of most voters, the people are willing simply to give him a chance to prove himself, no more and no less.

"If he does not fare well, we can always throw him out in five years," said a spectator at a Rajiv Gandhi rally in Varanasi, formerly known as Benares, in the largely rural "Hindi heartland" that is a key to the election. It is a view held by many of his fellow citizens.

An Indian parliamentary election always rates as the world's largest exercise in participatory democracy.



Supporters of Prime Minister Rajiv Gandhi holding his portrait as he campaigned in Uttar Pradesh.

Special Features/Staff Press/Charlyn Zlotnik

This time, 380 million voters will be eligible to cast ballots tomorrow in most states and on Thursday and Friday in some others.

They will choose 511 members of the Lok Sabha, the lower house, which is analogous to Britain's House of Commons. Voting has been put off in two states, Assam and Punjab, because of political turmoil.

The election has also been deferred in the Bhopal constituency of Madhya Pradesh. Severe dislocations took place there after the escape of poison gas from a Union Carbide Corporation pesticide factory, which killed at least 2,000 people and forced hundreds of thousands to flee. Balloting in Bhopal is expected to take place late next month. Most analysts do not expect the Bhopal disaster to have an appreciable effect on the national election.

Before the assassination of Prime Minister Indira Gandhi, Rajiv's mother, on Oct. 31, most politicians, political scientists and journalists were coming to the conclusion that her Congress-I Party would have difficulty maintaining its majority in the Lok Sabha, where it had held two-thirds of the seats, and that Mrs. Gandhi might have to govern as the head of a coalition.

Unexpected Casualty

There was much dissatisfaction with her authoritarian style of government, and opposition parties had begun to concentrate their attack on her. They were even showing signs of an unaccustomed unity in the anti-Indira cause, which became the heart of the budding opposition campaign. Their prospects turned out to be an unexpected ancillary casualty of the assassination. The oppo-

sition was left in disarray, unable to find a focus. Now opposition politicians are trying to save themselves as best they can in the building Congress tide.

At first, some commentators expected that a surge of sympathy would be the main thing that would pull Mr. Gandhi and his party through to victory. These feelings seem to have dissipated, but the latest polls indicate that a strong desire for national unity may be a factor influencing voters in Mr. Gandhi's favor.

He has been campaigning almost nonstop since Dec. 1 in every part of the country, preaching national unity in a flat, low-key manner that tends to soothe rather than arouse.

Apparently, his projection of calm is doing him no harm. Polls released last week by India Today and by The Illustrated Weekly of India showed the Gandhi Congress Party overwhelming the opposition in most parts of the country and among almost every demographic category.

Indian elections have been characterized by "waves" of voter sentiment that give the outcome an all-or-nothing flavor.

In January 1980, the wave went strongly for Mrs. Gandhi. In 1977, it went just as strongly against her.

A Rajiv wave now appears in prospect. Some people expect Mr. Gandhi's party to win 300 to 350 seats in the Lok Sabha, more than enough

to keep him solidly in office as Prime Minister, at least for a while. India Today's poll forecast a Gandhi victory of 366 seats. Four years ago, Congress won 353.

But some political analysts caution that the meaning of a Rajiv wave, even if it produces the expected majority, should not be overstated. Winning a substantial majority is regarded as a sine qua non if Mr. Gandhi is to establish his prime ministership firmly.

But "a parliamentary majority does not bestow stability" or insure that a prime minister will automatically be able to govern effectively or maintain his authority, says Rajni Kothari, a leading political scientist.

That, he said, depends on events and on the political skill of the Prime Minister. Mr. Gandhi, an inexperienced politician in a fractious land, may find winning this election the easiest part of his job.

Chinese Leader Hopes to Include Taiwan in His Legacy

Deng's Road to Hong Kong Is Paved With Pragmatism

By JOHN F. BURNS

PEKING — He was only a small figure in the crowd that filed into the hall behind Prime Minister Margaret Thatcher of Britain and Premier Zhao Ziyang of China. But there was no doubt that Deng Xiaoping was the star of the show.

The Hong Kong dignitaries, lined up on a stand at the side of the hall, applauded when he appeared. The Chinese photographers made sure they captured the moment when he stepped forward to be the first to clink champagne glasses with Mrs. Thatcher after last week's signing of the agreement returning the British crown colony of Hong Kong to Chinese sovereignty in 1997.

For Mr. Deng, the pre-eminent Chinese leader, it was one of the sweetest moments in a turbulent career. There have been quite a few since he returned from his second stint in political purgatory and began to turn the tables on the leftists who humiliated him during the Cultural Revolution. But this was something no other Chinese leader had been able to claim since 1949: the recovery of a parcel of the "lost" lands whose seizure by

force or treaty during the 19th century is stamped into the national consciousness.

The 5.5 million people of Hong Kong can only hope that his successors remain bound to the 50-year extension of the colony's freedoms that Mr. Deng has pledged.

If the agreement was a gamble for them, so in a way was it for Mr. Deng. Trading the recovery of Chinese territory for a pledge to tolerate capitalism within China's frontiers was a step of enormous daring, exposing him to the old criticism that he has taken the "capitalist road."

What Matters Most

Such was the charge in the days when he was driven through the streets of Peking in a dunce cap and there is no doubt it would be made again if his opponents within the Communist Party were to have their way. The Hong Kong deal is only a corner of a broader policy that has put aside ideology and substituted for it the simple and determined goal of making China a powerful modern state.

In the past five years Peking has opened its doors to foreign aid and investment on a massive scale, moved rapidly toward a market economy and permitted other

things that are heresy to those espousing a narrower and more puritanical view.

Their voices are still heard now, or mostly so, but there is plenty of evidence that they are still around, waiting for the 80-year-old Mr. Deng to die or to hazard some new reform that gives even his supporters pause.

If proof were needed, some diplomats thought they found it in the Chinese leader's response to Mrs. Thatcher as the two savored their deal over tea in the Great Hall of the People.

Mrs. Thatcher spoke of the concept of "one country, two systems," advanced by Mr. Deng to settle the Hong Kong problem, as one of genius.

Not my genius, said Mr. Deng in effect, but that of Karl Marx and Mao Zedong who furnished the ideological tools that made the concept possible. In the past, Mr. Deng has generally had little time for such ideological acrobatics, but the times now seem to demand that he curb some of his famous impatience.

For now, however, the prospect of anybody's mounting a serious challenge to the Chinese leader seems slim. He has enormous popularity, and the Hong Kong agreement has enhanced it. But the fact of age is something that cannot be waved away with his jests to Mrs. Thatcher about going for a personal look at Hong Kong in 1997, when he will be 82. It is hard to imagine that what has happened in China since 1979 could have occurred without Mr. Deng and difficult to see how the momentum can be sustained after he is gone. So he is a man in a hurry, intent on smashing the old molds so completely that no future challenger can rebuild them.

A man who has just wrapped up an agreement retrieving one of the richest pieces of real estate anywhere

might be expected to relax and enjoy it for a little while. But not Mr. Deng. Prime Minister Thatcher was hardly airborne before the Chinese leader had summoned the Hong Kong shipping magnate, Y.K. Pao, and told him that, with the Hong Kong question solved, it was time to get on with the even larger problem of Taiwan. With "one country, two systems" enshrined in an international accord, he said, the experience could be applied to the problem of reuniting the Chinese mainland with its break-away province.

Taiwan Is Wary

The response of Taiwan's President Chiang Ching-kuo and his Government was clear. They have warned all along that the Chinese promises on Hong Kong are nothing but a Communist trick. A commentary last month in Free China Review, a publication of the Taiwan Government, put the issue bluntly. "Very frankly, the well-publicized post-1997 Communist Chinese commitments to Hong Kong's freedoms are not worth the powder to blow them to hell as long as such freedoms are contemptuously denied to the billion people on the mainland."

Speaking to the Chinese here, Mrs. Thatcher said the agreement provided "a firm basis for confidence" in Hong Kong's future. Later her tone was more frank. "If we hadn't negotiated, we would have got nothing past 1997," she told a group of Western reporters. Now, it depended on a "smooth transition" to translate paper commitments into fact. Since Mr. Deng cannot be relied upon to be around when the Union Jack comes down, the people of Hong Kong can only hope that he does his work so thoroughly in his remaining years that no successor will be tempted to dismantle the memorials he leaves behind.

Split With OPEC Continues as Demand for Light Crude Declines

Nigeria Suffers Economic Pains of Petroleum Withdrawal

By CLIFFORD D. MAY

LAGOS, Nigeria — In a supermarket here, many shelves are bare except for a coat of dust. Others hold bicarbonate of soda from Greece, canned lentils from Italy, fruit punch from the United States and salad dressing from Belgium. Only a few items — cornflakes and yam flour, for example — are made in Nigeria.

The market's shelves tell the story of Nigeria's transformation over the last decade into "an oil addict," as a Lagos businessman puts it. They also help explain Nigeria's refusal, reaffirmed at last week's meeting of the Organization of Petroleum Exporting Countries, to get in line with OPEC pricing and production policies.

Since the 1970's, Nigeria has become dependent on oil exports for 85 percent of its foreign exchange. The money went mostly to buy consumer goods and to finance "prestige" projects that may never turn a profit or even cover their costs. Agriculture, light manufacturing and cottage industries, once pillars of the economy, have declined.

This did not bother many Nigerians as long as their oil supplies were in demand and prices were climbing. But the glut of the 1980's and weakening prices have plunged the country into a deep economic mire. Its oil income this year will amount to about \$10 billion, less than half the 1980 total. From 1976 to 1981, Nigeria was the second largest supplier of United States oil imports. It dropped to ninth in the first half of this year. Foreign currency reserves are virtually gone and foreign debt is estimated at \$22 billion. Servicing the debt consumes about 40 cents of every export dollar. Foreign investment is a fading memory.

So it was not surprising when the military Government in Lagos in late October followed the example of Norway and Britain — oil-producing competitors that are not members of OPEC — by cutting oil prices in the first official break from OPEC's pricing structure since March 1983. Nor was it hard to understand why Nigeria has refused to join its OPEC partners in curbing petroleum production.

"If Nigeria doesn't stay competitive, they lose their customers," an oil company executive said. "And they cannot afford that. They can't afford any decrease in their revenues. They're living hand to mouth as it is."

Demand for Nigeria's light low-sulfur crude oil has

But recent changes in refining technology have made heavy crude a better buy. This has increased discounting among light-crude producers, which include Norway, Britain and Libya.

(At OPEC's winter meeting in Geneva last week, the cartel's members considered a measure that would raise the price of heavy crude, with the aim of making light crude more competitive. They will take up the issue when they reconvene this week. The proposal is part of OPEC's effort to reassert its control of the oil market and to protect the base price of \$29 a barrel for Saudi Arabian Light oil. The oil ministers warned North Sea producers not to undermine the cartel's prices. They also agreed to "formulate mechanisms" to enforce the members' adherence to production quotas, approved as an emergency measure in October. But several delegates raised doubts about the plan, hinting that it was aimed at diverting attention from the dissensions in OPEC. Saudi Arabia's oil minister, Sheikh Ahmed Zaki Yamani, warned that OPEC was "sick and dying" because of the failure by members to exercise production discipline.

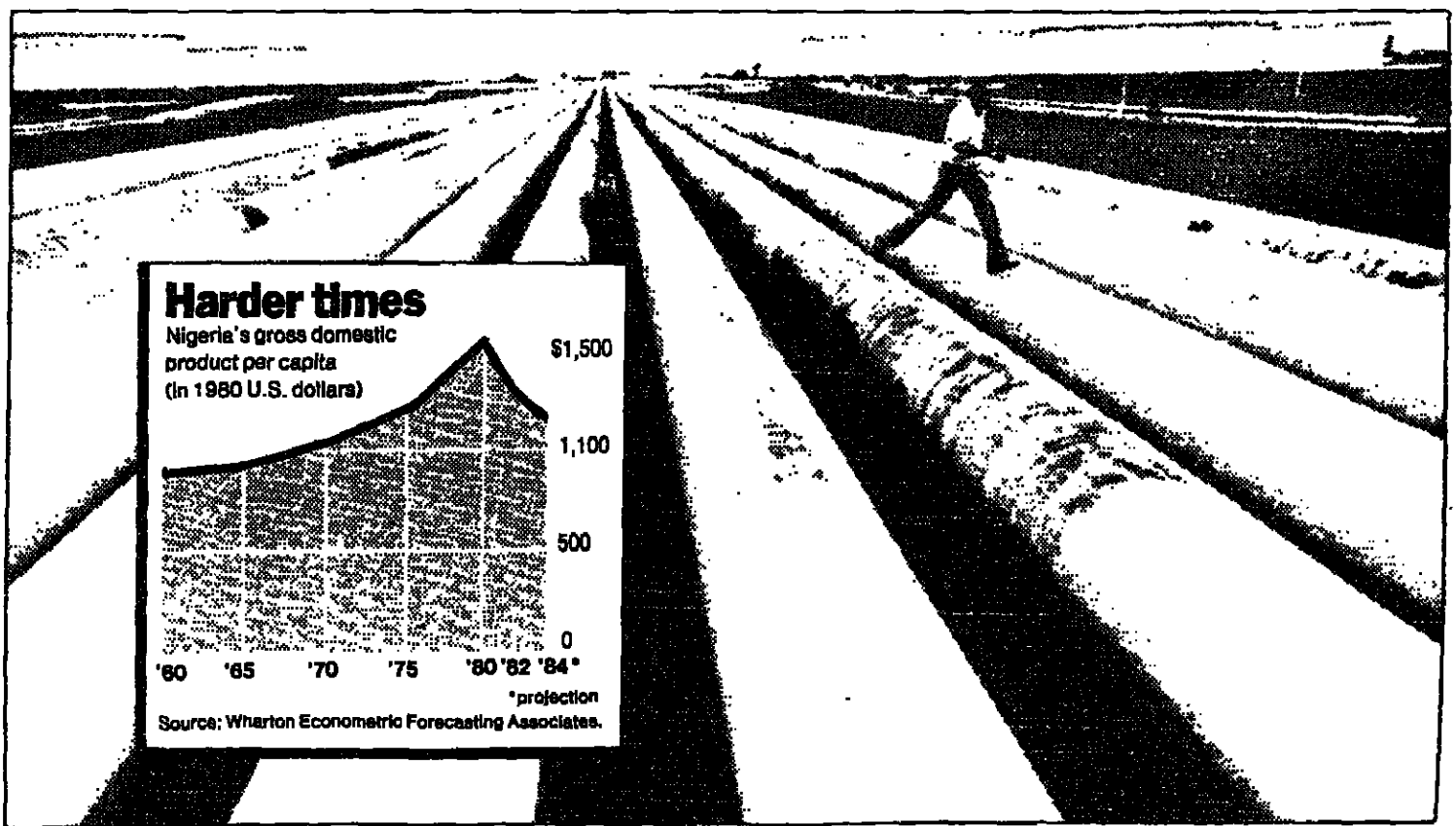
(Tam David-West, the Nigerian Oil Minister, said he was not ready to bring Nigeria's prices back in line. In Geneva, he also defended his country's production policy, contending that Nigeria had been granted an increase above the OPEC quota of 1.3 million barrels a day.) Mr. David-West has vowed that Nigeria will continue producing 1.45 million barrels as long as the country's economy remains "in the doldrums."

Western economists in Lagos do not expect a recovery soon. The military Government that seized power a year ago has tight-

people to leave the overcrowded cities to return to the farms. But inflation has been rising and unemployment may also be hitting new peaks, although reliable statistics are unavailable, partly because some Government agencies have run out of office supplies. Talks with the International Monetary Fund about Nigeria's requests for new capital, including \$3.1 billion of standby credit, were suspended amid anger and frustration. Nigeria's negotiators had rejected the I.M.F.'s conditions — devaluing the currency, liberalizing trade and eliminating do-

mestic petroleum subsidies. Officials of the Government, like their civilian predecessors, contend that such measures would not solve the economic problems and could be hazardous for the country's political health.

"It's a bad doctor who prescribes the same medicine to all his patients," said Ibrahim Gambari, Nigeria's Foreign Minister, of the I.M.F. demands. Western economists say, however, that until the Government decides what medicine it is willing to take, the oil habit will be virtually impossible to kick.



Pipelines to an oil terminal in Nigeria.

Magnum/Peter Marlow

The Nation

The Economic News Is Good; However . . .

President Truman so despaired of getting definite opinions from his economic advisers that he mournfully called for a one-handed economist. Ordinary citizens might well have felt that way last week, as experts greeted with caveats what looked like quite positive economic developments.

The good news started Monday, when Manufacturers Hanover Trust, the nation's fourth largest bank, cut its prime lending rate by a half-point, to 10.75. By week's end, the reduction in the prime to its lowest level since August 1983 had spread to all 10 big banks. Even more important to specialists, the Federal Re-

the Stealth bomber.

Mr. Cavanaugh was described as eager to peddle an initial batch of secrets so he could pay off debts. Then, the authorities said, he hoped to obtain a stalled top-secret security clearance, the better to obtain even more valuable Stealth data. "I'm after big money," Mr. Cavanaugh was quoted as having told undercover agents in a tape-recorded meeting Dec. 12. "\$25,000 is a drop in the bucket, believe me."

Their last meeting took place on Tuesday, in a suburb of Los Angeles, when Mr. Cavanaugh was taken into custody. He was charged with the unauthorized removal of classified technical manuals, blueprints, drawings and a list of subcontractors. In a television interview, Secretary of Defense Caspar W. Weinberger said the arrest "demonstrates again the Soviets' unremitting efforts to ac-

Glory Days Are Fading For Chavez And U.F.W.

By ROBERT LINDSEY

SALINAS, Calif. — A figure that seemed out of the past appeared on the nightly news in California last week — Cesar Chavez, waving a picket sign and doing what he perhaps does best, attracting the attention of television cameramen as a spokesman for farm workers.

These have been rough times for Mr. Chavez. Twenty-two years ago, in the dusty vineyards of California's Central Valley, he launched his ultimately successful effort to organize a union of farm workers. Almost a decade ago, his work produced the nation's first collective bargaining law for field hands. The one-time migrant worker managed well as leader of a social movement. But the operating union he organized has been torn by internal dissent and complaints that Mr. Chavez refuses to share power.

Almost all of the inner circle of aides who helped Mr. Chavez achieve his dream of creating the United Farm Workers of America — Jerry Cohen, Marshall Ganz, Gilbert Padilla and Eliseo Medina — are gone now. Some were victims of purges from the top, others resigned in frustration or bitterness.

Mr. Chavez's best political friend, former Democratic Gov. Edmund G. Brown Jr., left Sacramento in 1982 to run a losing campaign for the United States Senate. The man who succeeded him, George Deukmejian, a Republican, has sought to reduce the tight control granted Mr. Chavez and his union by Mr. Brown's appointees to the state board that administers the collective bargaining law.

Last summer, the International Brotherhood of Teamsters, the once bitter foe of Mr. Chavez that in 1977 gave him a monopoly to organize field hands, refused to renew an agreement not to compete with the U.F.W. Mr. Chavez, the teamsters said, had failed to exploit the opportunity of the fields of California.

The liberal press seems also to have turned on Mr. Chavez. He has been the subject of a series of recent critical reports. Last month he sued The Village Voice, the New York weekly, for what he called a "corrupt and immoral attack" on the union and for "creating the false and defamatory



Cesar Chavez marching with farm workers in Salinas Valley in October.

expired in 1979 and the two sides have been battling over terms of a new one since then.

The company says that it pays about \$7 an hour to unskilled field hands and substantially more to other workers. The contract battle, it claims, is not over economic matters but over insistence by Mr. Chavez on a clause, accepted by some growers, that allows the union to order the dismissal of members who are not in "good standing" with the union.

The clause allows the U.F.W. to deny work to members who disagree with Mr. Chavez or refuse to give a day's pay annually to the union for distribution to political leaders in the state.

Michael Payne, an executive of Bruce Church Inc., contends that the "good standing" clause and other contract provisions demanded by the union "would give Chavez absolute control over our work force, which we aren't going to give to anybody."

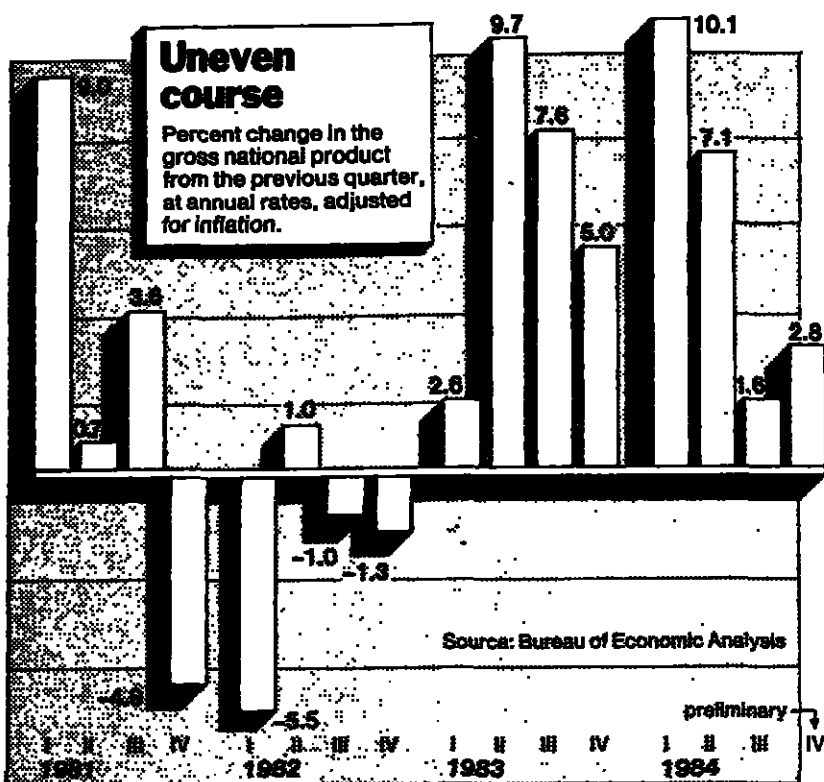
For his part, Mr. Chavez calls the good standing clause essential to his efforts to build a strong, permanent union in a business where workers tend to move often and where union organizing successes are constantly under threat from an influx of immigrants willing to work for lower pay.

The State Agricultural Relations Board, which administers the farm labor law, has accused both parties of bad-faith bargaining in the long dispute.

To force Bruce Church Inc. to capitulate, the union for the past year has been conducting what it calls a "high tech" boycott — a direct-mail campaign against certain retailers that sell Church lettuce. A computer is used to select potential sympathizers, identified by the union as "white liberals, blacks, Jews and union families." Letters go out to them accusing the retailer of doing business with a company that exploits farm workers.

There is no evidence yet that consumers have reacted in large numbers by refusing to patronize the targeted retailers. But executives of three large chains targeted in the campaign — Lucky Stores, A & P, and the McDonald's fast food chain — responded to threats of such a campaign by stopping their purchases from Church. The lettuce company says that it recently had to lay off 100 workers, about 10 percent of its labor force, because of the boycott.

For Mr. Chavez, who was demonstrating last week in front of Alpha Beta Stores, the latest grocery chain targeted in the campaign, the boycott has provided hope of a comeback for the union after his long series of setbacks. He announced recently that the U.F.W. would embark soon on a similar boycott against non-union producers of table grapes. "If this doesn't work," he said, "it's the end of the union."



serve Board dropped its lending rate to banks and other financial institutions one-half point, to 8 percent. That is the lowest level in six years.

Meanwhile, the Government released its preliminary estimate on the gross national product for the last three months of the year and its report on consumer prices for November. Economic growth showed clear improvement, running at a 2.8 percent annual rate, up from 1.6 percent in the third quarter; consumer price inflation dropped to two-tenths of 1 percent. That is the smallest increase since June, and almost insures that 1984 will be the third consecutive year in which inflation had been held to about 4 percent.

Why then were economists using nouns like "constructive" and conditional verbs? Their analysis of the Fed's move is instructive. The central bank, they said, is loosening up on credit because of worries that sluggish economic growth is signaling the potential of damaging slowdown. While the "flash" report estimating a 2.8 percent rate in the fourth quarter reassured many analysts that a recession is not around the corner, it was nowhere near robust enough to block those caveats.

Plane Engineer Accused as Spy

Employing a little stealth of their own, Federal agents in California last week arrested an aircraft engineer who, they said, had handed over preliminary plans for making United States bombers invisible to radar.

Three times this month, according to Government accounts, Federal Bureau of Investigation agents posing as Soviet contacts met Thomas Patrick Cavanaugh, an employee of Northrup Corporation. Mr. Cavanaugh has worked for Northrup's Advanced Systems Division since November 1981, a month after the company was awarded a contract for initial research and development of

quire" Stealth technology "not by developing it themselves but by stealing it from other countries."

Former Judge Gets 15 Years

Operation Greylord, the continuing undercover investigation of Chicago's municipal court system, has produced the indictments of five current or former Cook County judges, among other high and low officials of the law, and months of argument about the legality and propriety of entrapment. Last week, it produced what a Federal prosecutor characterized as an object lesson — a 15-year prison term for accepting bribes for John J. Devine, now a manager of a downtown tavern but in the period in question, 1977 to 1983, an associate judge. His attorney said he planned to appeal.

Mr. Devine, convicted Oct. 8 on 25 counts of extortion, 21 counts of mail fraud and one count of racketeering, is the second judge to have been found guilty on such charges; Judge John M. Murphy was convicted on charges of extortion, mail fraud and racketeering. Two others, including the presiding judge of the First Municipal District, are waiting trial.

But similar charges and similar courtroom methods have not invariably produced similar results. In August, using the same mix of taped and witnesses' evidence — the inquiry involved dummy defendants, bogus litigation, and a judge wearing a tape recorder tucked in a cowboy boot to gather evidence against his colleagues — Federal prosecutors lost their case against Judge John G. Laurie. Judge Laurie had been charged with regularly accepting money from lawyers who wanted either to win their cases inside or solicit clients outside his courtroom.

Michael Wright, Caroline Rand Herron and Carlyle C. Douglas

Verbatim: Cox on Meese

"The office of Attorney General requires a person who can symbolize the highest standards of honor, integrity, and freedom from favoritism or other self-interest in the performance of public office. Only such a person can build the confidence in the integrity and even-handedness of law and law enforcement that is essential to democracy."

"Conversely, it is not enough for an Attorney General to have a little ticket saying, 'we find no basis . . . for the bringing of a [criminal] prosecution.' Lack of evidence of violation of criminal statutes is one thing. Compliance with the ethical requirements of high office is quite another. Mr. Meese's record as described in the report of the independent counsel shows that he lacks the qualities necessary to be a credible Attorney General."

Archibald Cox,

chairman of Common Cause, which released a review of the findings of the independent counsel who investigated charges of wrongdoing by Attorney General-designate Edwin Meese 3d. The counsel, Jacob A. Stein, found no basis to prosecute Mr. Meese.

New Tunnel Was Completed While Tracks and Bridges Decayed

Philadelphia's Transit Is Also Ailing



Commuters boarding a trolley car at a Philadelphia station.

By WILLIAM ROBBINS

PHILADELPHIA — David Gunn's words of 1981 seem almost prophetic now. "There is a pretty good possibility that the commuter rail service will end before the tunnel is completed," said Mr. Gunn, then the general manager of the Southeastern Pennsylvania Transportation Authority.

At the time, rising costs were driving riders away from Septa, as Philadelphia's system is called. Mr. Gunn, now president of the New York City Transit Authority, was among those who complained that maintenance was being slighted while the city and Washington spent \$350 million on a new train tunnel.

Rail service hasn't ended here. But an important part of it came to a temporary halt shortly after the opening last month of the Center City commuter tunnel, a gleaming new link between two formerly separate commuter-train systems, both passenger portions of the old Pennsylvania and Reading Railroads, serving the Philadelphia region. Though the disruption lasted only a month, while a section of an old bridge was replaced, it awakened Philadelphia-area riders to the fact that the new tunnel united a badly deteriorated system.

The service interruption blocked off trains of the old Reading lines in North Philadelphia, leaving passengers to transfer to buses and subway trains to continue their journeys to points beyond the tunnel. The cause was a reminder of another of Mr. Gunn's 1981 warnings. "Vital and necessary work," he said, included "replacement of track and repair and replacement of structures, electrical distribution and transportation and transmission systems." But, he said in a budget proposed in 1981 for the bus, subway and train systems run by Septa, "funds are not available for these projects."

The Old Infrastructure Story

Before Mr. Gunn moved to New York early this year, he was credited with dramatic changes in the Septa system, including management improvements, renovated stations and new and improved rolling stock. But his concern about the rail system went unheeded. While the city was completing the commuter tunnel and billions in Federal money was being spent on new and expanded commuter-train systems such as those in Washington, Miami and Baltimore, experts here note, little money was made available to arrest deterioration. Now, tracks need replacement along much of the system's 255 route miles; many bridges need repair or reconstruction.

of the trains Jan. 1, 1983, from Conrail, which was left to concentrate on its freight business. Septa officials had often blamed Conrail for its commuter-train problems. Conrail's answer had been that Septa, owner of most of the roadbeds, had provided too little money to maintain them.

Pushed by Philadelphia Mayor W. Wilson Goode, construction crews worked day and night, replacing the faulty section of the failing bridge in 20 days. Meanwhile, Septa officials had disclosed that all 434 of the system's other bridges also needed maintenance work to make up for years of neglect, with 24 seriously in need of repair and with seven in such bad condition that train-speed restrictions had been imposed. A subsequent study showed that 20 to 30 of the bridges on a Reading line needed to be replaced.

Septa, which has perennially faced budget deficits made up by subsidies, had slated \$2.4 million from this year's budget for bridge repairs.

Now it appears that all that money was used to complete the rush repairs on the Columbia Avenue bridge. It will take about \$150 million more, Mr. Mack, the system's general manager, said, to complete all the work needed on Septa bridges, a cost that according to Frank Russo, Septa's senior structural engineer, will rise unless the work is begun soon. And bridge work, Mr. Mack added, "is not all that glamorous to funders."

The Importance of Being Iacocca

Beyond the best seller: The auto chief's complex duel with Henry Ford takes on new meaning.

By WILLIAM SERRIN

FOR years, two American businessmen — both of them strong, egotistical men who often seemed larger than life — engaged in an exceedingly harsh personal and professional fight that involved elemental issues of personality, class and power.

One — the brash, flamboyant Lido Anthony Iacocca — was born to Italian immigrant parents and raised in the industrial town of Allentown, Pa. He arrived in Detroit on the Red Arrow train in 1940, with engineering degrees from Lehigh and Princeton and \$50 in his pocket. In 30 years, through a remarkable sense of automobiles and salesmanship, he rose to become president of the Ford Motor Company in a career that could have come from a best-selling novel.

The other, Henry Ford II, large, gruff, was the leader of an industrial family that is almost an American dynasty. His grandfather, Henry Ford, had developed the first commercial automobile, the industrial assembly line, the \$5 day. The blood of the grandfather seemed to be that of his grandson: both men were autocratic, sometimes tyrannical; given, at times, to making decisions on whim.

There could be but one end to this epic, almost Biblical struggle. The Ford family had 40 percent of the voting stock. And on July 13, 1978, Mr. Ford called Mr. Iacocca to his office and fired him.

The outlines of this corporate melodrama have long been familiar. Now Mr. Iacocca has lashed back. "Iacocca: An Autobiography," recounts in compelling detail the struggle between himself and Mr. Ford. The tale moves from defeat to victory with Mr. Iacocca's subsequent resurrection of the Chrysler Corporation, one of the most brilliant turnarounds in American business history.

The book, which is the runaway best seller this Christmas season, is a unique business memoir.

It asks no quarter and gives none. If accurate — and interviews with more than 50 people associated with the auto industry suggest that in the main it is — the book provides an intimate look at the operations of American business. For revealing detail, the book rivals such novels as "The Hustlers," "Executive Suite" or "The Man in the Gray Flannel Suit."

The book is one man's perspective. It makes startling admissions. "I was after the bucks," he writes. "I was also greedy. I enjoyed being president. I liked having the president's perks, the special parking place, the private bathroom, the white-coated waiters." But he creates an exceedingly favorable portrayal of himself, rarely hinting at how tough, even ruthless, he could be. He apologizes for nothing, including his role in the development of the Pinto, the small car that claimed a number of lives when it burst into flames after rear-end collisions.

"Lee is good, but Lee is not the only guy that's good," said Malcolm S. Salter, a professor at the Harvard Business School.

"Iacocca is on a roll," said David E. Cole, director of the office for the study of automotive transportation at the University of Michigan. "And when a guy is on a roll, sometimes he can believe things that may or may not be true. He may be thinking of himself in the same breath as God."

The book raises important questions. How did two major American corporations, Ford and Chrysler, become, in separate ways, as ill-run as Mr. Iacocca describes them?

Do boards of directors exercise the superintending control that is their responsibility under American corporate law?

Were the successes of the American automobile industry of the 1950's — successes in which Mr. Iacocca played major roles — real? Or were they hollow gains that led to the failures of the American automobile industry in the 70's and 80's?

Does the "culture" of the American corporation demand that ambitious men and women suffer repeated indignities in order to climb the corporate ladder?

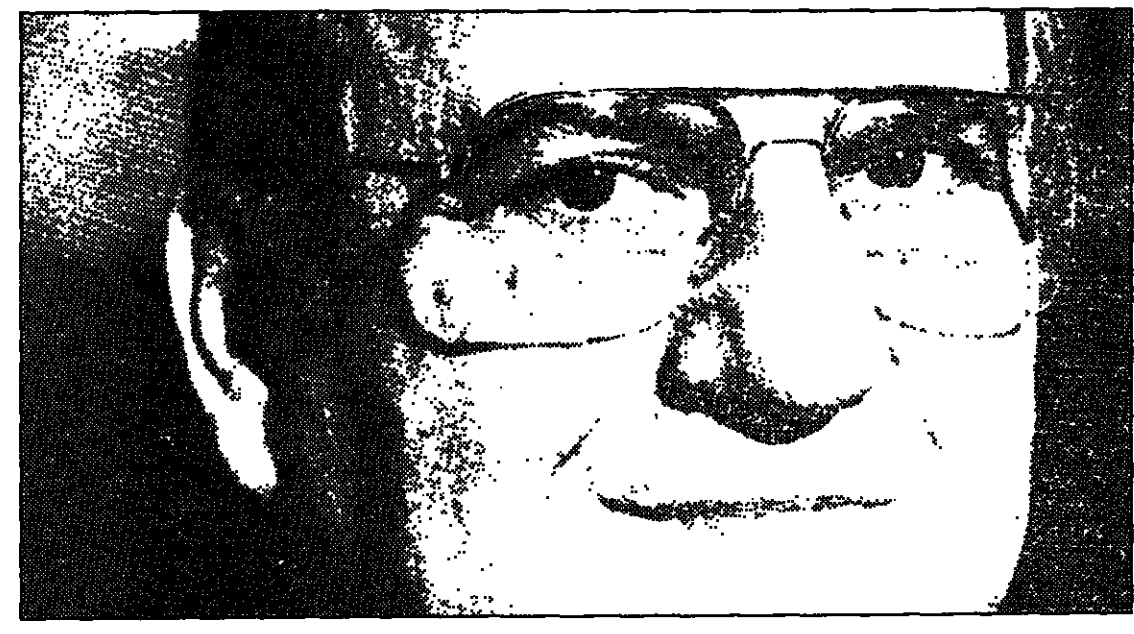
Here are some insights Mr. Iacocca's book provides about the corporate culture at Ford:

• A young executive was demoted because Mr. Ford thought he wore his pants too tight.

• A senior executive wanted to spend \$1.25 million redecorating his office. Mr. Ford told him, "Make do with three-quarters of a million."

• In the executive dining room, lunch cost each diner \$1.50, later \$2 with inflation. The price to the company: \$104 a head. The usual fare included oysters Rockefeller, roast pheasant, Dover sole flown fresh daily from England, plus fresh fruits regardless of season, fancy chocolates and exotic flowers.

• The day the Ford board of directors cut the company's quarterly dividend 20 cents, the members' yearly fees were raised from \$40,000 to \$47,000, effectively "neu-



Associated Press/The New York Times/George Tames

If I had to sum up in one word what makes a good manager, I'd say decisiveness. You can use the fanciest computers to gather the numbers, but in the end you have to set a timetable and act. And I don't mean rashly. I'm sometimes described as a flamboyant leader and a hip-shooter, a fly-by-the-seat-of-the-pants operator. But if that were true, I could never have been successful in this business.

— From "Iacocca: An Autobiography," published by Bantam Books

tralizing" their potential opposition.

• A colleague and friend of 25 years never spoke to Mr. Iacocca again after he was fired from the Ford presidency and did not attend the funeral of Mr. Iacocca's wife, Mary, last year. "I never mentioned him by name," Mr. Iacocca said in a recent interview, one of the few he has given since publication of his book. "I didn't want his name in the index."

• In 1975 Mr. Ford, seeing ruinous times ahead because of rising gasoline prices, gutted the company's product-planning programs by slashing \$2 billion from the budget. His action delayed the introduction of the Tempo and Topaz, small, front-wheel-drive cars that went on sale in 1980, by up to five years. This left the company without an appealing product in the late 1970's, when buyers desperately wanted small cars.

Mr. Iacocca joined Chrysler as president in November 1978, then became chairman a year later. Here are some of Mr. Iacocca's initial views of the Chrysler Corporation:

• The president's office was a virtual hallway through which executives trooped freely, coffee cups in hand.

• The secretary to the company's chairman occupied

much of her time with her personal calls.

• The company had poor coordination — people in engineering had no communication with those in manufacturing — and almost no central financial controls. It also had an unsold inventory of 80,000 cars, which soon ballooned to 100,000.

To understand Mr. Iacocca and his book, it helps to know something of his background and about Detroit.

Detroit is one of the most insulated societies in America.

It is a society characterized by "surface amicability," says Sandra L. Lyness, a psychiatrist at Wayne State University in Detroit. "There are superficial knowledges as well as superficial relationships."

In the late 1960's, when Henry Ford II grew long sideburns, it seemed that within a few weeks everyone in town — including Mr. Iacocca — was sporting sideburns. Divorce was always taboo in Detroit. But in 1964, Edward N. Cole, then General Motors president, obtained a divorce from his wife of many years and married Dollie Ann McVey. Within a few months, says Keith Crain, publisher of Automotive News, the authoritative trade journal, there were almost 50 divorces at General Motors.

main from individual nations that fear a loss of revenue.

Oil companies routinely shared confidential pricing information from the late 1950's to the early 70's, documents released by a Federal court showed. The oil companies had fought to keep the documents confidential. Although the practice is not illegal, it raises questions about how competitive the companies can be.

Steel exports to the United States will be limited under a series of pacts with seven nations. The pacts are part of President Reagan's plan to limit basic steel imports to about 18.5 percent of the domestic market. A dispute with the Common Market over specialty steel remains unresolved.

Cuts in the military budget of \$8.7 billion next year would not meet Administration and Congressional goals to trim the Federal deficits, opponents claim. Defense Secretary Caspar W. Weinberger said he won a heated debate when the White House agreed to keep the overall military buildup virtually unchanged. But the spending level will probably be stridently opposed in Congress.

Bell Laboratories has developed a 1-billion-bit memory chip that has

Economy

William A. Niskanen Jr., then a financial officer at Ford and now a member of the Council of Economic Advisers, recalled in an interview that one Friday he wore a blazer and slacks to the office. His superior came to him and asked, "Starting the weekend a little early, Bill?"

"I never wore that blazer to work again," said Mr. Niskanen, himself fired at Ford for opposing restrictive automobile imports, favored by the company.

Mr. Iacocca was largely unlike the other Detroit men — the plum, not the pudding.

"Lee's got the brights," said Gerald Greenwald, Chrysler vice chairman and one of the Ford men lured to Chrysler by Mr. Iacocca. He is a quick study. He can look at a clay mockup of a car not scheduled to be in the design rooms for years and say whether the car will sell. The turnaround he guided at Chrysler is all the more remarkable considering that his background is in engineering and marketing, not finance.

Many men in Detroit are ambitious. He was more ambitious. He gave great credence to friendship. He put together a group of loyalists — the "Iacocca crowd" — who were different from the others at Ford: more talented, confident, ambitious. "They were more loopy-gooey in their attitudes and a little more flashy in their dress," said Mr. Niskanen.

Even in writing the book, Mr. Iacocca is unlike other Detroit men.

Chatting one evening recently in the Chrysler Corporation's New York offices, on the 54th floor of the Park American Building, he sipped a highball as an antidote to a week's work and a Friday night drive through New York traffic. A tall, fit-looking man, whose hobbies are reading and listening to jazz records, he spoke bluntly against the code of "parochial Detroit." He condemned the rule of the "Grosse Pointe-Bloomfield Hills establishment" that "you should never talk about peers, a former boss," that "you don't speak out against the king. He's powerful, he's got money."

"They're not an immigrant," said Mr. Iacocca, who is not one either, but thinks of himself as one. "They don't talk that way."

Mr. Iacocca is a showman, a highly verbal person. His syntax may wander in his free-form speech, but he communicates his points with force and gritty clarity. He leaves no doubt about why he wrote his book.

"I was going to show this guy for what he is," Mr. Iacocca said. The young Lee learned on the Allentown streets, where he was taunted for being a "cogon," that when one is struck, one must strike back.

Perhaps the most brutal story he tells about Mr. Ford in his book is of a meeting in which, he says, Mr. Ford encouraged other executives to hire blacks. Shortly afterward, in the executive dining room, according to Mr. Iacocca, Mr. Ford complained that the "coons" were drinking "up and down Lake Shore Drive," the prestigious Grosse Pointe road on which Mr. Ford then lived, and remarked that he was thinking of moving to Switzerland to escape them.

In a basic sense, Mr. Iacocca and Mr. Ford never got along.

Mr. Ford, Mr. Iacocca says, visited his office only three times in eight years, and the families rarely saw each other socially. As he promoted him higher, Mr. Ford, who is now 67, seemed increasingly wary of Mr. Iacocca, perhaps fearing him, perhaps seeing too much of himself in the slightly younger man.

Yet many people find a far more positive side to Mr. Ford than Mr. Iacocca admits.

Mr. Ford's patrician nature is edged with a plebeian roughness, and the mix can be extremely charming.

He can be earthy, likes to share a glass or two, and has a sense of his own limitations. Once, for example, he conceded that he had little knowledge of how the internal combustion engine works. He can be open, direct, generous. "No one could imagine shooting the breeze with John D. Rockefeller," said a member of the family. "You can do that with Henry."

A Yale drop-out, Mr. Ford took over the company in 1945, at age 28, knowing little about the automobile industry. But he had a fine facility for selecting talented people, and was largely responsible for saving the company from bankruptcy after years of ill-management by his grandfather. This was as magnificent a turnaround as Mr. Iacocca's at Chrysler, says Harvard's Mr. Salter.

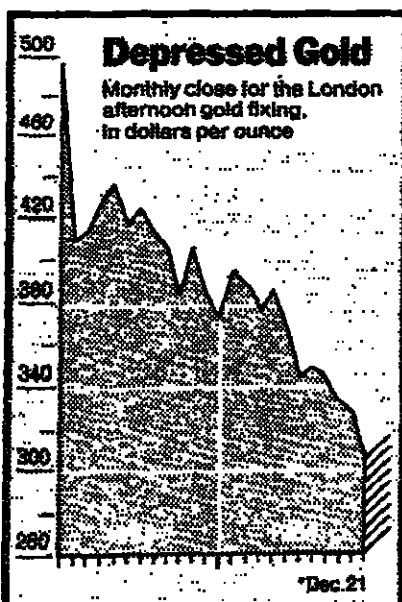
Mr. Ford, moreover, was extremely active, in his way, at working to improve racial relations in Detroit following the 1967 riot that left 43 people dead. He helped form a group, New Detroit, to open lines of communication between white and black leaders. An associate of Mr. Ford at the time recalls how he would go to New Detroit meetings and be badgered by black militants, and take it. If badgering a rich white man was, at that time, what blacks needed to do, he would put up with it.

Renaissance Center, the hotel, office, and shopping complex on the Detroit River, was Mr. Ford's answer to the city's problems. It is condemned by Mr. Iacocca as a waste of the company's money. Yet, while it has suffered financial difficulties and has not realized the dreams Mr. Ford had for it, Renaissance Center was an attempt by Mr. Ford to resurrect Detroit. Many business leaders do nothing while their cities decay.

WEEK IN BUSINESS

As Gold Nears \$300, Dollar Still Popular

Gold prices have been falling for months as the dollar has surged, and last week gold traded briefly under \$300 an ounce in Sydney, its lowest since a cyclical dip in mid-1982. Few traders predict that gold will fall to the \$100 mark last seen in 1976, but the precipitous drop from 1980's \$825 level has raised concerns about whether gold will retain its reputation as a safe harbor during times of uncertainty. Indeed, more traders seem to be wanting dollars as the hedge, especially since the American inflation rate is staying so unexpectedly low. The relationship between the dollar and gold shifts occasionally as the world economy changes, and some investors apparently have greater faith in the continuing strength of the dollar than they do in gold. And traders note that gold is still high, both historically and when adjusted for inflation.



The improving American economy bolsters optimism at home and abroad, as did the 2.8 percent "flash" estimate of fourth-quarter economic growth. The G.N.P. estimate was a bit of a surprise; most predictions had put expansion at barely 2 percent. But because so many statistics have been substantially revised this year, analysts said it was too soon to say the recovery is galloping again. Still, the report was encouraging

report that orders for durable goods, led by the military category, surged 8.3 percent in November, far above estimates, reversing two months of declines. It was the biggest jump in more than four years. And while the number of new homes under construction fell seven-tenths of 1 percent in November, permits for future building rose.

the economy began to falter, showing that inflation is still tightly under control at about 4 percent.

The Fed cut its discount rate, to 8 percent from 9½ percent, a move that has been expected for some time as interest rates in general and the Federal funds rate in particular have fallen. The cut came three days after several big banks cut their prime rate to 10½ percent, the lowest in 15 months. Other banks stayed as high as 11½ percent, apparently fearing that if interest rates fall too far too soon, the Federal Reserve would start to tighten again.

As interest rates fell, the stock and bond markets shook off their lethargy. The day after the cut in the prime, the Dow Jones industrial average jumped 34.78 points in extremely heavy trading, and bond prices surged. The enthusiasm, although not the gains, were maintained through the week, and the Dow finished at 1,196.98, up 23.07. A \$3.8 billion increase in M-1 was less than expected, and spurred the rise in bond prices.

OPEC is seeking to enforce its quotas, perhaps through a central arm that would market all its members' noncontract oil. The 13-nation group is also considering reducing the price differential between its heavy and

main from individual nations that fear a loss of revenue.

Oil companies routinely shared confidential pricing information from the late 1950's to the early 70's, documents released by a Federal court showed. The oil companies had fought to keep the documents confidential. Although the practice is not illegal, it raises questions about how competitive the companies can be.

Steel exports to the United States will be limited under a series of pacts with seven nations. The pacts are part of President Reagan's plan to limit basic steel imports to about 18.5 percent of the domestic market. A dispute with the Common Market over specialty steel remains unresolved.

Cuts in the military budget of \$8.7 billion next year would not meet Administration and Congressional goals to trim the Federal deficits, opponents claim. Defense Secretary Caspar W. Weinberger said he won a heated debate when the White House agreed to keep the overall military buildup virtually unchanged. But the spending level will probably be stridently opposed in Congress.

Bell Laboratories has developed a 1-billion-bit memory chip that has

The New York Stock Exchange

MOST ACTIVE STOCKS WEEK ENDED DECEMBER 21, 1984 (Consolidated)

Company	Sales	Last	Net Chg
Phil Pet	10,529,700	54 1/2	+
AT&T	10,448,800	19 1/2	+
IBM	7,065,300	123 3/4	+
Exxon	6,591,300	43 1/2	+
Scovill	6,014,000	38 1/2	+
Ni Semi	5,419,200	11 1/2	+
Bell So	5,381,800	34	+
Un Carb	5,275,900	37	+
Schlmb	5,102,200	37 1/2	+
Ford M	4,996,000	44 1/2	+
Mobil	4,972,600	27 1/2	+
Cmw E	4,841,400	26 1/2	+
Am Exp	4,524,900	36 1/2	+
Am Mot	4,292,400	77 1/2	+
Comdte	4,208,400	18 1/2	-

Standard & Poor's

400 Indust	189.4	181.0	134.6	+2.1
20 Transp	144.5	137.5	141.8	+1.5
40 Utilis	78.6	73.8	70.9	+1.2
40 Financial	19.0	18.1	18.6	+0.3
500 Stocks	169.0	162.4	165.5	+2.2

Dow Jones

30 Indust	1223.6	1164.5	1193.9	+23.0
20 Transp	864.4	812.7	856.3	+16.2
15 Utilis	161.0	154.0	158.6	+1.2
65 Comb	494.8	470.1	470.0	+1.0

The American Stock Exchange

Company	Sales	Last	Net Chg
BAT	3,671,300	43 1/2	+
WagNB	2,941,400	24 1/2	+
DomePet	1,607,000	11 1/2	+
7IE	1,337,200	35	+
GMCD	1,136,500	11 1/2	+
Kelcor	1,138,000	24 1/2	+
Amdahl	1,086,700	15 1/2	+
Teleph	1,046,500	35	+
KeyPH	822,100	50 1/2	+
HouOT	779,200	5	+

MOST ACTIVE STOCKS WEEK ENDED DEC. 21, 1984 (Consolidated)

Company	Sales	Last	Net Chg
Advances	422	340	+
Declines	321	320	+
Total Issues	970	889	+
New Highs	95	22	+
New Lows	35	125	+

MARKET DIARY Last Week Prev. Week

Advances	422	340
Declines	321	320
Total Issues	970	889
New Highs	95	22
New Lows	35	125

VOLUME Last Week Prev. Week

Total Sales	48,092,190	1,566,175,025
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MARKET DIARY

	Last Week	Prev. Week
Advances	1,343	1,060
Declines	863	914
Total Issues	2,254	2,254
New Highs	233	75
New Lows	108	135

VOLUME

	Last Week	Prev. Week
Total Sales	592,890,000	22,741,344,423
Same Per. 1983	435,970,000	21,281,714,057

WEEK'S MARKET AVERAGES

	High	Low	Last	Change
New York Stock Exchange	111.8	107.9	109.7	+1.79
Indust	87.4	86.6	86.6	+2.48
Transp	51.6	50.2	51.0	+0.94

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Talk Tough; Then Blame Congress

Defense Secretary Weinberger won a famous victory last week. Despite heavy opposition from Cabinet colleagues and Congressional leaders and despite the huge, overhanging Federal budget deficit, he persuaded President Reagan that defense spending must remain sacred. Though conscientious conservatives see the need for serious reductions, the President agreed to trivial cuts. Boy, does that make him look tough!

But for how long? Won't the defense budget be cut back anyway? Of course it will. That's what Congress has done every year. And will Mr. Reagan consent, as part of a larger bargain? You bet he will. Consider these figures, in billions, from the four fiscal years of this Administration:

Requested	Approved	Legislated Cut
1982 \$226.5	\$213.8	\$12.7
1983 257.5	238.6	18.9
1984 273.4	258.1	15.3
1985 305.0	284.7	20.3

Pumping up the requests, knowing Congress will cut them back, may be clever posturing. But is it a sensible way to manage Defense, which alone accounts for a third of all Federal outlays? No.

The Reagan-Weinberger exercise has some merit this time: It's wrong to slow defense spending dramatically just on the eve of new arms control negotiations with Moscow. But instead of distinguishing the vital from the negotiable and both of these from the dispensable, Mr. Weinberger strains all credibility by acting as if nothing can be cut.

The only reduction he's so far willing to accept is trivial, \$8.7 billion out of \$322 billion in new budget authority. And part of that arises from juggling part of next year's military pay raise into this year. Worse, the \$8.7 billion is conditioned on a Presidential promise of no further cuts for two years!

Meanwhile, consider another, much larger

Presidential promise. Mr. Reagan says he intends to halve the \$200 billion deficit by 1988. He can't have it both ways. By presenting a plan that pares so very little from military spending, he leaves it to Congress to be responsible in his place, even if that means wholly rewriting the fiscal 1988 budget that the Administration is about to present.

That's been the pattern over the last four years. The more Mr. Reagan requests for the Pentagon, the more Congress finally has had to cut. Appropriations have ranged from 5½ percent to 7½ percent less than requested. Even so, the result has been massive increases — from a Pentagon budget of \$214 billion approved in 1981 to the \$313.7 billion Mr. Reagan now plans to propose.

If who does the cutting were the only issue, then only political credit and blame would be at stake. But with Mr. Weinberger refusing to be more selective about major weapons systems, the cutbacks have come at the expense of the armed forces' readiness and have actually added to costs by stretching out much procurement.

Some students of the budget process perceive shrewd method in these Presidential bargaining tactics. He pads the accounts to allow for what he anticipates Congress will reject. And by not eliminating major weapons systems, he dares future Congresses to fight gathering momentum.

But even if that's right, what happens meanwhile to economic management? It is every bit as important as national security and it is left a shambles. The world is again left unsure whether America really means to control its deficits. And Congress must either devise its own military strategy or insist on a tax increase against a President who parades his opposition to any such increase.

Even if this kind of bargaining succeeds in getting more for the Pentagon, it's neither prudent budgeting nor effective leadership.

Cold Eyes

On a walk recently, a friend saw a man training his Seeing Eye dog, anticipating its learning processes with great good humor. Then on the bus he saw a child lying on a seat twitching a white shoelace across the floor as if a fish were nibbling at it. "He fishes a lot," his mother said, but didn't know whether he had a trout or shark or goldfish in mind. Perhaps he visualizes a fish, goggle-eyed and bulgy-headed, that has yet to exist.

And what do fish themselves envision? That seems easier to imagine with dogs or even frogs. Frogs are shaped rather like us and we know that they mate after a songfest; that indeed all vertebrate music can be assumed to have originated from the croaking and peeping of ancestral frogs. From frogs to birds to flutes to divas. Or consider turtles: A male box turtle has red eyes, the female brown, so when he walks toward her she sees his sparks. Male painted turtles have long nails on their forefeet with which to tickle the throats of the females whom they swim to court.

But fish? What's in their mind's eye? It's safe to say that when we throw them a worm they see a worm; that bits of cock feathers tied realistically resemble caterpillars, grasshoppers or mayflies.

But how about those plastic fishing plugs hung with hooks like atrophied legs that anglers troll with, bloated like an aborted tadpole?

Pickering — with their marvelously barred sides that mimic the sunlight's intersection with the shadows underwater — seem to strike such a plug from joy and aggression as well as hunger; but what do they see? Salmon can be baited with salmon eggs, which they gulp more from jealousy than hunger during the spawning season, but ice fishermen have learned that perch prefer fish eyes to almost any other bait.

What do perch see as they dart to eat the eyes of a perch caught just previously? Looking up instead of down through the water (and breathing water) may give them unimaginably different perspectives, as do their Devonian origins 350 million years ago. Or perhaps it's the gold ring around the dead perch's black pupil, because when the gold ring fades and the eye turns white, fishermen say they must use a fresher eye for bait.

Hydrocephalic bugs, even if complexly refracted underwater, wouldn't make us bite, but gaudy-silvery rings or brass rings we might go for, under or above the ice.

The Ghosts of Christmas

Many of the ghosts of Christmas are all too visible — the homeless who haunt us from park benches and in rail and bus terminals. But many more of those pitiful ghosts are not visible at all; their misery, hunger, pain and loneliness are all too easily overlooked. Will they remain hidden from conscience as well? Or will they be pointedly remembered as we rejoice in the season and seek the warmth of family and home?

The jobless, the ill, the fragile old, the neglected

young — they can be helped. And those who brighten their holidays will add meaning to their own, making this truly a season of good will.

As it has done for 72 years, The New York Times Neediest Cases Fund welcomes help from all who care. Contributions, which are tax-deductible, should be mailed to The New York Times Neediest Cases Fund, Box 5193, General Post Office, New York, N.Y. 10087.

Topics

Finding Room

Missing Persons

Whoever drew up the White House guest list for celebrating International Human Rights Day this month had highly selective vision. All the foreign guests at this important occasion were victims of regimes hostile to the United States. Somehow there was no room for victims of friendly dictatorships.

The dozen victim-guests were from the Soviet Union, Poland, Iran, Cuba, Nicaragua, Afghanistan and Cambodia. Nobody from South Africa, Chile, the Philippines, Paraguay, Haiti, Pakistan or Turkey. Do abuses matter less if they occur in countries where American protests might actually do some good?

This skewed list diminished the meaning of a moving ceremony. The only weapon that human rights victims possess is damning publicity. It

means a lot when President Reagan greets Iranian Bahais or Afghan exiles. Or when he makes time before arms talks with the Soviet Union to greet Andrei Sakharov's son-in-law, Efrem Yankelevich, and Anatoly Shcharansky's wife, Avital.

But human rights should be indivisible. It mocks a universal cause to deal only with the other side's abuses. In his remarks, Mr. Reagan properly condemned South Africa's offenses as well as the U.S.S.R.'s. Whoever prepared his guest list can't understand the speech.

Subway Spread

Old ways of testing for overweight include the pinch test, the see-if-it-buttons test and the present-profile-to-mirror test. Now, just in time for the holidays, there's a new way: the subway-seat test.

Because of complaints that the seats on new Japanese subway cars present a tight squeeze, Councilwoman Carol Greitzer measured 23 New York backside. She found it no wonder that riders were restless. By her calculation, the New York backside requires 23 inches for comfortable seating, or six inches more than the Japanese manufacturer thought fitting.

Having failed the pinch and see-if-it-buttons tests, and having scored a mere maybe on the present-profile, a friend tried the subway-seat test as a last resort. First putting on her coat, she measured the space she, and it, occupy in her desk chair. Sixteen and one-half inches was the happy result. Plus two happier conclusions: she can eat as much plum pudding as she wants, and she can fit the new subway seats, assuming of course that there are any available.

Letters

To Prevent Future Bhopals

To the Editor:

Most of the commentary in the media has overlooked or obscured certain central considerations surrounding the Bhopal tragedy. When all the lawyers have gone home and the Indian families are left to their quiet grief, it is imperative that the culpability issues be put aside and that the movers and shakers — the economic elites — in all countries put this issue at the top of their policy agenda.

Among the key questions that must now be addressed are the following:

• Are our chemically dependent agricultural systems either safe or sustainable? (Insects have an exceedingly short generation span. In the face of widespread pesticide applications, a population with a resistant strain in its gene pool will rapidly evolve into a population in which the resistance trait is common. Super pesticides spawn super pests.)

The Food and Agriculture Organization recently concluded that "resistance problems of great and sometimes critical importance have arisen in each region where pests have been exposed to heavy selection pressures from pesticides."

Meanwhile, alternatives exist: the introduction of natural predators or sterile male insects; the careful timing of planting and harvesting; the

use of more pest-resistant varieties of seed and parasites or pathogens for insect or weed control. So-called "developing" countries have had much of this knowledge for thousands of years.

• Are the policies of development-assistance agencies actually responsive to the needs of developing countries to understand, regulate and manage the technology they have become hosts to and upon which they have become dependent?

Both the United States Agency for International Development and the World Bank make environmental-impact assessments of projects, for example, but provide very little in the way of training host-country personnel for long-term control or management capabilities.

• While the adversary character of the relationship among governments, environmental groups and corporations is beginning to dissipate on some levels, how much progress can really be made as long as corporations and governments continue to view such crises as that in Bhopal only in "issue-management" or public-relations terms, while they continue to leave their basic policies unexamined?

J. GARY TAYLOR

Director

Sierra Club Earthcare Network Inc.
New York, Dec. 19, 1984

Slow U.S. Start In Aiding Ethiopia

To the Editor:

The allegations by Ethiopian officials that Western donor countries, particularly the U.S., did not respond soon enough to requests for emergency food are not totally unfounded.

I served as the Emergency Relief Coordinator for Catholic Relief Services (C.R.S.) in Ethiopia from August 1983 until August 1984. We began our relief efforts the summer of 1983 in the province of Tigray with 5,338 metric tons of food given by the U.S. Government. It quickly became apparent that the need far exceeded available resources, so C.R.S. put together a proposal, which I wrote, for 18,000 metric tons more. It was submitted to C.R.S. in New York, which in turn submitted it to Washington in November. Despite the well-documented need and the proved ability of C.R.S. to get the food to those who need it, our request was not approved until May 1984 — and then for only 8,000 tons. The other 8,000 tons were not approved until July.

M. Peter McPherson, the Agency for International Development administrator, is correct to say the U.S. has responded very substantially to Ethiopia's emergency, but the substantial aid now does not excuse previous foot dragging.

ALBERT CENNERAZZO
Woburn, Mass., Dec. 12, 1984

A Federal Boxing Commission Would Make Fight Game Safer

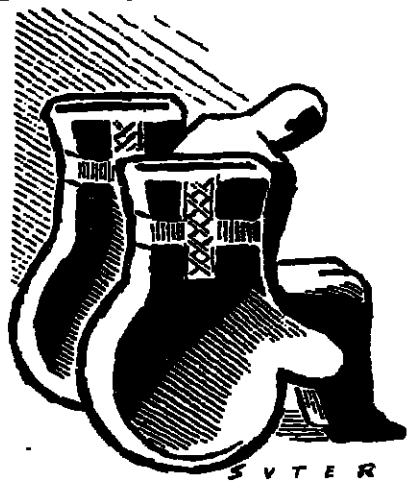
To the Editor:

The American Medical Association has adopted a resolution calling for the abolition of boxing, both amateur and professional, and urging medical groups throughout the country to lobby for state laws banning the sport because of "the dangerous effects of boxing on the health of participants" (news article, Dec. 6).

The World Medical Association has recommended that the sport of boxing be banned. "Boxing is a dangerous sport," said a working paper adopted by the W.M.A. in Venice. "Unlike other sports, the basic intent of boxing is to produce bodily harm in the opponent. It can result in death and produces an alarming incidence of chronic brain injury."

Dr. George Lundberg, editor of the Journal of American Medical Association, wrote an editorial in the January 1983 issue saying that boxing should be banned because "the principal purpose of a boxing match is for one opponent to render the other injured, defenseless, incapacitated, unconscious." In contrast, in all other recognized sports, injury is an undesired by-product of activity.

Football players once wore no protective padding or helmets; but because of the frequency of death, the public demanded changes in the game. After the 1905 season, in which there were 18 fatalities and 159 seri-



ous injuries, President Theodore Roosevelt threatened to abolish football altogether unless safeguards were adopted.

National medical associations encourage preventive measures to minimize the incidence of boxing injuries. Such measures would include establishing a boxers' registry, allowing ringside physicians to stop a bout if necessary and using safety pads and equipment to make boxing rings safer.

Although theoretically regulated by state and local commissions in 46 states, boxing is the least regulated major sport in the United States and

probably the most vulnerable to corruption. The major boxing associations — the World Boxing Association and the World Boxing Council — have headquarters in Panama and Mexico City, respectively.

Boxing used to be an event for a local audience, and state and local boxing commissions may have made regulations since. But with television networks and cable stations, boxing is, like football, basketball, hockey and baseball, big-time commerce, and ought to be regulated by the Federal Government under the Interstate Commerce Clause.

A federal boxing commission could do what individual state boxing commissions could never do: develop and implement uniform safety standards for the sport. Some improvements could be to develop reasonable medical standards for prefighting physicals; to require the presence of a ring-side doctor authorized to terminate the fight or extend rest periods beyond rounds; to require after-fight neurological examinations, and to enforce mandatory suspensions after knockouts or injuries.

A federal commission could insure that boxing is as safe as it can be, and that boxers who are likely to be injured or maliciously to injure others are not permitted to fight. We owe it to the boxers to try.

CLAUDE A. FRAZIER, M.D.
Asheville, N.C., Dec. 10, 1984

Onomatopoeic Justice

To the Editor:

If words are important in a cause, then so is their pronunciation. As American witnesses to South African oppression are arrested daily, all Americans — especially broadcast journalists — should know how to say apartheid.

The correct pronunciation of the word, if more widely used, might even increase understanding of the system it denotes. As the South African novelist Alan Paton put it many years ago, "Add 'apart' and 'hate' and you're saying it right: apart-hate."

What could be more apt?

DAVID IRONS

Cambridge, Mass., Dec. 19, 1984

Why A.M.A. Must Oppose Medicare-Fee Freeze

To the Editor:

Nineteen years ago, when Medicare was born after long gestation, angina pectoris was treated with nitroglycerin tablets placed under the tongue and other fairly simple treatments. Now the same symptoms may warrant a bypass operation for the underlying cause, disease of the coronary arteries.

So, instead of a few dollars for medicine out of the patient's pocket, thousands are spent by Medicare to treat the same problem. Medical costs will continue to rise. Modern technology is expensive; modern drugs are never cheap.

When Medicare was born in 1965, it

cost a nickel to mail a letter; now it costs four times as much. My office-visit fee has increased, too, but is not yet four times the 1965 level. My total 1965 annual liability-insurance premium would not insure me for one week in 1984.

Doctors are not immune from overhead increases, yet doctors have to put up with a Medicare fee freeze that is anything but fair. As reported ("No Immunity for Doctors' Fees," editorial, Dec. 13), the American Medical Association has filed suit with regard to the fee freeze. The A.M.A. is not always right, but this time it is.

NORMAN F. CARRIG, M.D.
San Rafael, Calif., Dec. 15, 1984

Sharon Suit: In the Wrong Place, Against the Wrong Defendant

To the Editor:

Even as the libel case of the former Israeli Defense Minister, Ariel Sharon, against Time Inc. proceeds in a Manhattan courtroom, Mr. Sharon is conducting a propaganda campaign in the United States in his own behalf. He is declaring to anyone who will listen that Time magazine called him a "murderer" and accused him of "instigating" the Beirut massacre of September 1982 (Op-Ed, Dec. 16).

In fact, Time never called Mr. Sharon a "murderer," and it never accused him of "instigating" or encouraging the massacre. What Time did say, in its Feb. 21, 1983, cover story about the Kahan Commission report on the massacre, was that Mr. Sharon paid a condolence call on the Gemayel family on Sept. 15, 1982, the day after the Lebanese President-elect, Bashir Gemayel, was assassinated, and that at this meeting Mr. Sharon "reportedly discussed with the Gemayels the need for the Phalangists to take revenge for the assassination of Bashir," adding that "the details of the conversation are not known." This information came from several confidential sources in Israel.

The disputed Time story also stated that the information concerning the conversation was not included in the published portion of the Kahan Commission report but had been placed within an unpublished appendix. We have declared from the outset that nobody at Time has seen the appendix

and that our information concerning its contents was based, among other things, on (1) our correspondents' reading and analysis of the published report, and (2) information provided by a confidential source to the effect that Appendix B is a "codebook" for the mass of testimony, mostly secret, and for unpublished documents that are all part of the report.

We have tried for months to gain access to Appendix B, and we have declared that if it is demonstrated that the disputed material is not contained within the appendix, we are prepared to publish a retraction of this point. But so far, we have not been given access to Appendix B.

This case has been brought in the wrong place against the wrong defendant. The Kahan Commission concluded that it was Mr. Sharon who made the decision to send the Phalangists into the refugee camps and that in so doing he "made a grave mistake when he ignored the danger of acts of revenge and bloodshed." Mr. Sharon declared in response that the commission had placed upon him "the mark of Cain," the sign of a murderer. He cannot sue the Israeli public or the Kahan Commission for doing this.

Instead he is suing Time, evidently hoping that this may bring about his political vindication at home and enhance his overriding ambition to become Prime Minister of Israel.

Following the release of the Kahan Report, Mr. Sharon also declared that the ensuing national debate could weaken Israel against external attack. The Jerusalem Post described this as "outrageous . . . pernicious."

In his current campaign against Time, Mr. Sharon claims he's representing not only the State of Israel but the entire Jewish people, an astonishing presumption. As Ezer Weizman, another former Israeli defense minister and battlefield hero, once said of Ariel Sharon: "He has lost sight of the distinction between his own personal good and the good of the state."

In his constant use of the phrase "blood libel" in the national press and on television, and in his assertion that Time is anti-Semitic and has a bias against Israel, he is repeating a totally baseless and utterly contemptible charge.

HENRY A. GRUNWALD

RAY CAVE

New York, Dec. 18, 1984

The writers are, respectively, editor in chief and managing editor of Time.



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IN THE NATION
Tom WickerGetting
The
Message

MEXICO CITY
Even in the democracies, powerful national leaders seldom suffer direct, face-to-face criticism of their governments and policies, leveled at them in public by respected private citizens.

But that's exactly what happened the other day in the Court of Honor in Mexico's magnificent Palacio Nacional. Pablo Gonzalez Casanova, receiving the National Prize for History, Social Sciences and Philosophy from President Manuel de la Madrid Huerta, responded with a tough speech about "a new concept of democracy which is emerging in Latin America," and pointedly declared:

"Our country fails to reinforce the necessary institutions which would allow for the sovereignty of the Mexican people, the sovereignty to express itself in the electoral system, in government, in cultural and economic policies, mainly in those having to do with social justice."

Professor Gonzalez Casanova of the Universidad Nacional also pointed out what he called "a contradiction between our foreign and domestic policies" — that Mexico "curiously enough" understands the desire of the people for power "when it refers to what is new in Central America, but does not always seem to understand it with the same clarity when it refers to what is new in Mexico."

President de la Madrid, flanked by members of his Cabinet, listened with a rather grim expression on his face, but smiled, applauded heartily and shook hands with Mr. Gonzalez Casanova at the end of the speech. Its tone and content could not have been unexpected since the professor's views are said to be well-known, and since the President does not have to agree to a jury's award of the prestigious National Prizes — another of which, for language and literature, went to the novelist and diplomat Carlos Fuentes.

Criticism of
the Mexican
Government,
delivered
personally

An invited audience, including many of Mexico's leading intellectuals, attended the awards ceremony, and also applauded vigorously at Mr. Gonzalez Casanova's outspoken response. Afterward many in the audience were eager to assure guests from the United States that the speech proved that dissent and criticism, even at the highest level, are acceptable in Mexico.

The event reminded one *norteamericano* of President Lyndon Johnson's invitation to artists and intellectuals to meet with him at the White House during the Vietnam War. When some of his guests responded with criticism of the war, the supersensitive Mr. Johnson was not pleased, to say the least. No other parallel comes immediately to mind; but it was rather as if a leading American academic, accepting a Presidential award from Ronald Reagan, were to criticize to his face Mr. Reagan's economic or arms control policies.

The speech appears to have been particularly timely in Mexico, where the Institutional Revolutionary Party (P.R.I.) has been in power since 1929, winning every presidential and gubernatorial election since then, as well as the vast majority of local offices. Critics call the P.R.I. authoritarian, despite Mexico's rather open society; the party's great achievement over the years has been to maintain political stability in a nation once torn by factional violence. Now, however, the strongest challenge in years is being mounted by the conservative National Action Party (PAN), and more political "pluralism" is a much-discussed issue.

Mr. Gonzalez Casanova spoke scathingly of "a lacerating reality of people without organizations, without rights, without services or social benefits," paid less than the minimum wage, "who are hungry, who have a high rate of morbidity and early mortality." And he insisted that "the people want power . . . it is no longer sufficient to improve political systems" — apparently meaning the centralized control of the P.R.I.

Politically, he said, the need was for the nation to accept "democracy with all its consequences, letting win not only the liberal and right-wing parties when they do win, but also those parties and coalitions which attempt to represent the working people in its popular, democratic and socialist project."

All this demanded, Mr. Gonzalez Casanova conceded, a certain idealism — "an enormous receptivity to what is new in Mexico." How much such receptivity the P.R.I. can or will

By Thomas E. Cavanagh

WASHINGTON — The Treasury Department's simplified tax proposal is intriguing — but not half as intriguing as the reaction it has provoked.

Virtually everyone I've encountered who isn't either speculating in real estate or working for some Washington lobby thinks it's a terrific idea. They may quibble about the details, but they are enthusiastic about the concept. And then, in the next breath, they say with a smile and a shrug, "But it'll never pass."

There lies an opportunity for any politician shrewd enough and bold enough to act on it. For one of the most potent themes of this year's campaign was opposition to the so-called "special interests." Both Gary Hart and Ronald Reagan effectively hung this millstone around Walter F. Mondale's neck.

The opposition to the flat tax is precisely those "special interests" — the interlocking directorate of labor unions, trade associations, political-action committees, blue-chip law firms, Federal agencies and Congressional subcommittees that suppos-

Flat-tax
foes lack
persuasive
arguments

edly exercise a veto over any major policy initiative.

So imagine the response if President Reagan were to go over the heads of this Washington establishment and take his case directly to the people. Tax reform could be a fairness issue on which Mr. Reagan himself takes the lead. If he posed a stark choice between raising taxes on working people or eliminating tax loopholes, a tidal wave of grassroots support would wash over the Capitol and make the flat tax unstoppable.

There are no persuasive arguments against the flat tax, only cynicism and raw political muscle. The intellectual caliber of the carping against the bill thus far has been pathetic. Louis Rukeyser, host of the television show "Wall Street Week," has resurrected the tired old defense of the three-martini lunch. Governor Cuomo and Senator Daniel Patrick Moynihan of New York are pleading the case for Manhattan executives with six-figure incomes who, they say, will pack up for Connecticut faster than you can say "H & R Block" if they can't deduct their state and city income taxes.

The A.F.L.-C.I.O. and the United

Thomas E. Cavanagh is a senior research associate at the Joint Center for Political Studies, a research organization that concentrates on policy issues of concern to blacks.

By Lester Bernstein

A "chilling effect," a phrase invoked with numbing regularity these days, is the shibboleth that civil libertarians have brandished for a couple of decades against actions that could deter the press from exercising its constitutional freedom. Today, the big chill is presumably the megamillion-dollar libel suit. But there it strikes me that the old metaphor aptly describes a reasonable remedy for journalism's overheated excesses: this particular chilling effect may really be a breath of fresh air.

By design or not, the \$120 million that General William C. Westmoreland seeks from CBS is a piece of dramatic rhetoric expressing his outrage and suited perhaps to the theatrical scale of CBS journalism. It could never become a real sum. But if he should win his libel suit and a realistically handsome award, what would be chilled?

Would CBS News or its counterparts in big-league journalism shrink from exercising their freedom to uncover malfeasance in high places or to undertake any story that serves the ultimate end of a free press — namely to give people the information they need to govern themselves? Don't you believe it. Having worked in that league most of my life, I find it inconceivable that any verdict under existing libel law could turn off the innate professional zeal or the competitive imperative that drive the news media irresistibly into their role as watchdogs.

What would indeed be chilled, and one hopes is already being chilled, is the feverish pursuit of sensation without taking pains to be scrupulously fair and accurate. A story can be unfair without being libelous, but it is very hard to commit libel if you try to be fair.

It is hard in any event to commit libel against public figures and pay any consequences, given the extraordinary freedom of American journalists to report ugly things about them. If the victim seeks redress, it is he who bears the burden not only of proving the disputed account false but also of demonstrating that the journalist either knew it was false or

recklessly disregarded whether it was or not.

That in effect is the libel standard created by the United States Supreme Court in 1964 in the historic case of *The New York Times Co. v. Sullivan*. It was a ruling, according to a standard text on libel, that "arms the irresponsible, as well as the responsible, journalist with a weapon of awesome power." I have no quarrel with the weapon so long as the irresponsible can be held accountable for its abuse.

At the time of the Sullivan case, the phrase "chilling effect" had rarely been used. It appears to have originated in a 1951 article by Paul Freund, a Harvard law scholar, and to have been picked up by Chief Justice Earl Warren in a 1961 opinion. Since 1965, the magic of the computer tells me, Federal judges have used it in almost 2,000 cases. Certainly it has been used properly to describe a variety of situations — not simply libel cases — that would actually inhibit

the freedom of the press. But the phrase has also proliferated into loose, self-serving use in and out of the courtroom until it rings as hollow as a cry of "wolf."

Despite the rising cry of "chilling effect" prompted by libel suits in recent years, the United States press shows no sign of reluctance to dig for scandal. Over the last five years, according to the custodians of the Pulitzer Prizes, the number of investigative stories submitted for awards remains at the highest level. Newspapers that published the Pentagon Papers and the Watergate exposé in defiance of direct threats by a powerful Government are hardly likely to flinch from threats of libel action, especially with skilled lawyers to guide them on how to get the story told within the law.

Even in Britain, where courts are notoriously stricter in imposing limits on journalism, the press can hardly be said to have failed its classic role of telling the electorate what

it needs to know to govern itself. The latest cries of alarm stem from three complaints. One is that juries have been awarding damages so heavy that they could conceivably put some defendants out of business. True, but however strongly juries may feel they are dispensing justice, the law is such that most adverse verdicts are either set aside by judges or reversed on appeal, or the damages are sharply pared.

A second complaint is that some papers may be intimidated by the sheer cost of defending against libel suits. But frivolous suits can be thrown out without trial, and if the problem is really serious, legislation can give judges the discretion to award costs to the winner in a libel trial.

The third complaint comes from those who would have their cake and eat it, too. Since a libel victim has the arduous task of proving the network or newspaper knew the story was false or disregarded whether it might be, the courts have given him the right to examine evidence of how the news-gatherers performed — memos, notes, television out-takes and straight answers from reporters and editors.

Such access to the inner workings of the sanctum, argue some of its high priests, has a chilling effect. But if a newspaper has done its job conscientiously and insists on respecting whatever confidentiality it may have pledged to sources, why should it fear the light of day? Can the institution that probes everybody else's business really take the position that its own business is nobody else's?

Even if General Westmoreland loses his case against CBS, the public will have learned a great deal about how that network violated its own standards of fairness (which doesn't necessarily have anything to do with libel), and even CBS News should have learned something from its public ordeal.

As the Framers of the First Amendment saw it, the highest goal of a free press is to keep government honest. What will keep the press honest? The best answer is the law of libel, which thereby serves not only the victim of defamation but the institution of the press itself.

If there were no other way to keep the press honest, the inevitable effort to achieve that goal could easily run

WASHINGTON
James RestonCappy
The
Talker

WASHINGTON
Secretary of Defense Weinberger looks as meek and mild as your Uncle Dudley at Christmas, but he's fighting everybody in town these days except the Redskins.

All at the same time, too. Anybody in the Treasury, the State Department, the budget bureau, the Congress or the press who dares suggest the Pentagon should make a major contribution to cutting the \$200 billion deficit is regarded by Cappy as a danger to the Republic.

There's nothing wrong with a member of the Cabinet's fighting for his turf. That's what he's expected to do. But Mr. Weinberger poaches on everybody else's turf, defining foreign policy and sounding as if the alarming overall budget deficit had nothing to do with the nation's security.

This is what irritates so many people here in Washington who are getting weary of his attitude that "Cappy knows best."

He's not very courteous in his opposition either. When *The Washington Post* reported the other day that the Pentagon is going to put the first military-controlled shuttle into space to monitor Soviet communications, Mr. Weinberger denounced the appearance of the story as "the height of journalistic irresponsibility" — as if the Russians wouldn't have spotted this shuttle high over their own territory.

It was even worse, he said. It gave "aid and comfort to the enemy" — a phrase most lawyers regard as something close to treason, and most journalists regard as an insult.

So how to explain this latest voice from the Pentagon? Mr. Weinberger is a complicated character, maybe the most intellectual, articulate,

He's fighting
everybody
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Redskins

determined and photogenic member of the Cabinet. And he knows it, which may be part of the problem.

Another part is that he's a brilliant lawyer, always concentrating on the interests of his client, on defeating the opposition, on winning the case, no matter whether it's good or bad. When he was at Budget, he was known as "Cap the Knife" because he was always trying to prune every budget to the roots. Now as advocate for the Pentagon, he wants to militarize the stars, regardless of the cost.

If President Reagan had made him Secretary of State, which is what Mr. Weinberger really wanted, there is little doubt that he would have poured all of his formidable intelligence and energy into the problems of peace. But now at the Pentagon they are directed at the arts of war.

And the paradox is that Mr. Weinberger, or so he seems from the outside, is no warrior, but a most cautious man about the use of military force. He likes to gather weapons but not to fire them, as he proved in his doubts about U.S. military intervention in Lebanon.

His theory seems to be that if the United States has overwhelming weapons power, it will never have to be used. He is a student of the two world wars, the most outspoken Anglophile in any Cabinet here since Dean Acheson, and a great admirer of Winston Churchill.

This may help explain his arrogant assurance, his contempt for everybody who differs with him, and his garrulous lectures. These days he not only sleeps with his boots on, but he gets up in the morning for the "Today" show, recites at lunch and appears on the evening news almost as often as Dan Rather.

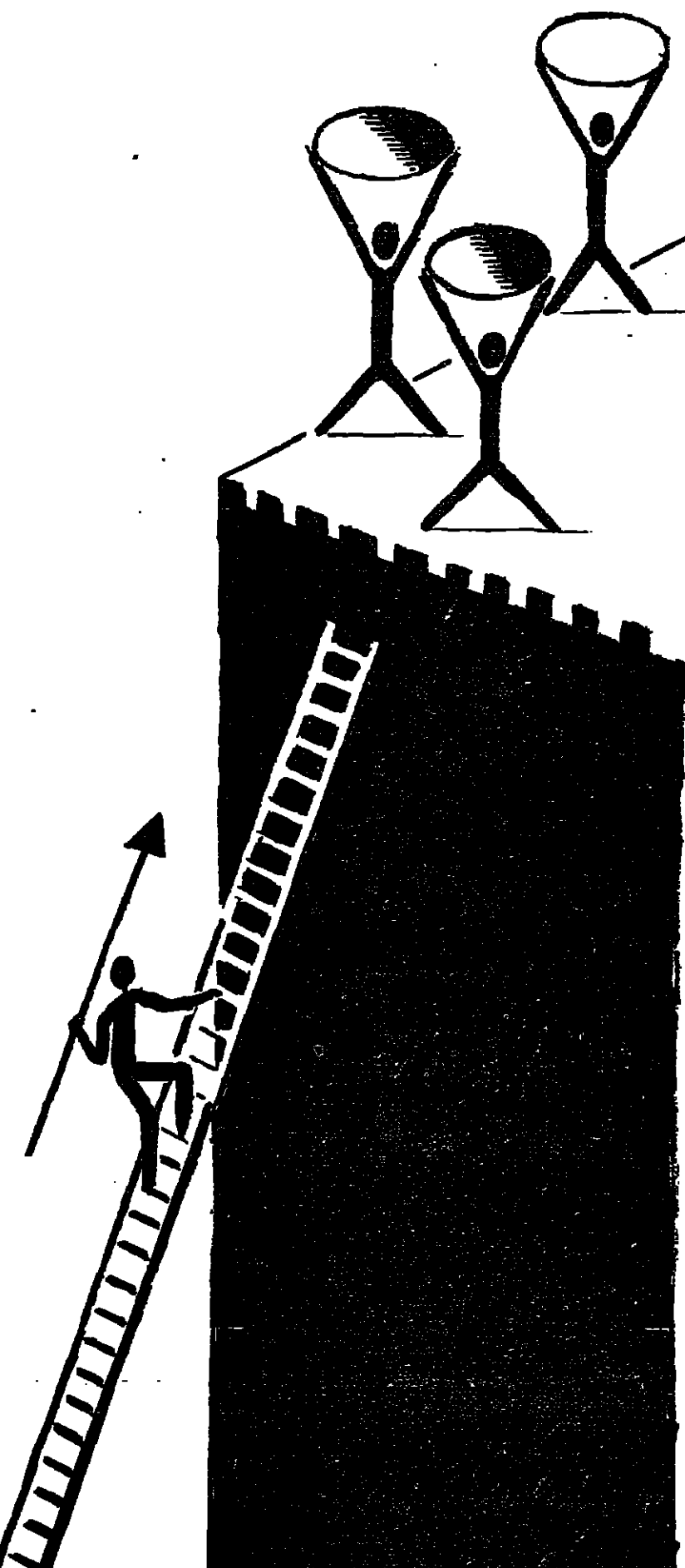
He is in some ways the most interesting character in Washington, but he's in danger of thinking he is what he merely represents, and he hasn't learned what one of his predecessors at the Pentagon, "Engine" Charlie Wilson of General Motors, called "the lesson of the whale."

You get harpooned in Washington, said Charlie, "when you're up on the surface spouting." And that's what Cappy does all the time, especially when he's in one of his Churchillian moods, defending Western civilization from the barbarians or from his colleagues or anybody else who interrupts his theories of how to achieve peace on earth.

He gets away with it, however, because he knows how to wage the bureaucratic wars within the White House, and mainly because of his long and close association with Ronald Reagan, who admires and believes in him.

After weeks of wrangling over the next fiscal year's budget, Mr. Weinberger agreed to take \$8.7 billion less than he wanted, but still a lot more than other members of the Cabinet proposed.

He characterized this as a victory, which in a way it was. Now all he has to do is to persuade the Congress, which won't be easy, for it is getting a



'Chilling Effect' or Fresh Air?

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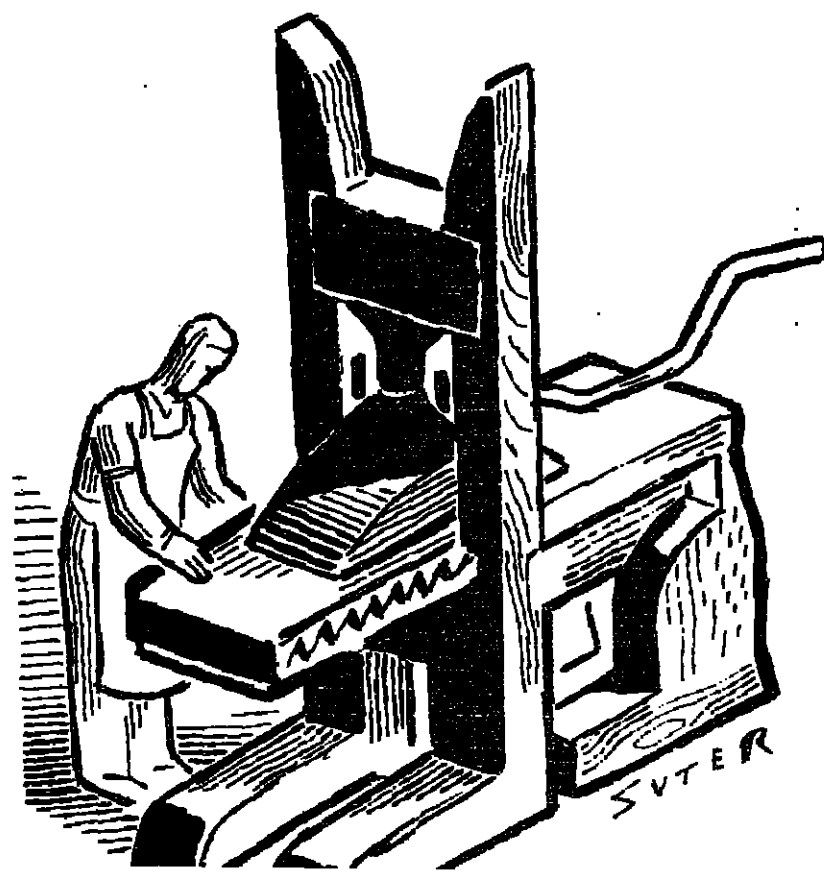
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When the Role Captures the Actor

By SAMUEL G. FREEDMAN

In 1884, the famous American actor James O'Neill bought the rights to "The Count of Monte Cristo." The transaction merely formalized a sad reality: O'Neill owned the role and the role owned O'Neill. As he played Dumas's nobleman thousands of times over 25 years, the part simultaneously liberated and enslaved O'Neill. It provided him with a yearly income in excess of \$60,000 — rare in theater, even now, a century later — but it so fixed him in the public eye that he could never reclaim his reputation as a serious Shakespearean actor, a protégé to the great Edwin Booth. Late in his life, remembering the day he bought the rights to "Monte Cristo," O'Neill would rue what he called "my good bad luck."

O'Neill stands as perhaps the most extreme — and tragic — example of an actor who virtually became a captive of his role, largely because his son Eugene dramatized his bitterness so enduringly in "Long Day's Journey Into Night." Some actors play a role once and by the strength of their performance forever imbue it as their own — Jessica Tandy with Blanche DuBois in "A Streetcar Named Desire," Lee J. Cobb with Willy Loman in "Death of a Salesman." But the actor who becomes his role only begins with the memorable performance, the rave reviews, the awards; from there, he reenacts the role thousands of times over decades and in the public mind his persona vanishes into that of his character.

So, in some ways, Carol Channing does not play Dolly Levi in "Hello, Dolly!" as much as she is Dolly Levi. Richard Kiley is Don Quixote, the "Man of La Mancha." John Raitt is Billy Bigelow of "Carousel," almost 40 years after first playing the role still being asked to sing "Soliloquy," his most famous moment in the musical, on television talk shows. For some of these actors, the identification with one role is as mixed blessing, for others simply a blessing. But all of them share the particular challenge of freshening an old role, of equaling the expectations of audiences who come not so much to see a play or a star as a bit of theatrical mythology.

Perhaps the greatest living example of the phenomenon is Yul Brynner. On Dec. 26, 33 years after originating the role, Mr. Brynner returns to Broadway as the King of Siam in Rodgers and Hammerstein's "King and I." In the intervening years, Mr. Brynner has played the king more than 4,400 times in three long engagements, each including a Broadway stand and extensive touring; he also recreated the role in the film of the musical. In some ways, time blurs, but in others it is acutely measured. On the current tour, Mr. Brynner has played on occasion to three generations of the same family — grandparents who saw the original production, parents who saw the revival in the late 1970's and children seeing the classic musical as something as new as a Cabbage Patch doll.

And there is a note of finality, of a circle come complete in the current production of "The King and I." Mr. Brynner has called it his farewell engagement, an unsettling double-entendre, given the actor's well-publicized treatment for cancer last year. Mr. Brynner says that he is in "complete remission" now as a result of radiation therapy, and he appears remarkably robust for a man in his mid-60's, muscular in the chest and arms, his voice deep and resonant. Mr. Brynner acknowledges that his encounter with cancer motivated him to retire the king and gave him a certain retrospection on his years in the role.

"Having been ill," he said in a recent interview, "opened my eyes suddenly to the fact that — the gypsies have a wonderful phrase for it — 'your future is getting shorter.' There are things I want to do beyond sharpening and honing this role further. I just want to exercise my muscles. I'm not even sure on what. At that same time, the illness has changed the King for me. Some lines come as a surprise suddenly — 'Everyday, my Lord in Heaven, show the way' and 'Everyday I try to live for one more day.' This describes completely how I do the show and how I survived the illness."

"The discovery of the illness created such a shock, because when we hear the word 'cancer' we think of 'death.' But growing up in the Far East helped me. There was an idea that you go to bed not knowing if you'll have a tomorrow and you must be thankful for every tomorrow and make the most of it. It affects everything: how carefully you listen; how you taste things; what you say; my decision to fight against the illness by continuing to work. I couldn't see myself going to bed and waiting to see what would happen with my illness. I preferred to play to 2,000 or 3,000 people and standing ovations. The choice is quite simple."

When the conversation turned to James O'Neill, Mr. Brynner said that he had never felt similarly tormented by playing the King. The very richness of the role, he said, had made it possible to stay with it for so long. At the same time, he spoke candidly about the effort of keeping the role interesting and about the unsettling transition he had to make from a television director — his profession before playing the King — to a star whose



The actor James O'Neill, father of Eugene O'Neill, in "The Count of Monte Cristo," a role that made his fortune but dogged his footsteps for much of his professional life.

every movement seemed to be charted in gossip columns. The challenges began, literally, from opening night on March 29, 1951.

"Richard Rodgers told me, 'You opened. You have a hit. Now freeze it,'" Mr. Brynner recalled. "That would've killed me. I told him I would be faithful to the inner sense of the piece, but what I did outwardly was my business. I told him, 'If you cannot agree on that, please replace me.' And I stayed four years and we became great friends."

But the longer Mr. Brynner has played the role, the more he has faced the perception that he somehow is the role. "I am always asked 'Do you identify with the King?'" he said. "It is silly. It shows total ignorance on the part of the questioner. Life would not be liveable — and acting would not be feasible — if I came home from the theater and approached my wife as the King of Siam. I never identified with the king — except on stage. On stage I portray the king; he takes me over. I am only an actor."

Carol Channing says that people come out of cars, doorways, even manholes to call to her, "Hello, Dolly. Hello, Mrs. Levi." Though they always pronounce it "Levy," she added. Said Richard Kiley: "It's a mixed blessing. At times you feel that people calling you 'Don Quixote' is going to drive you mad. But I had a well-known actor who had a fine career once told me he would've given anything to be identified with one role. And that kind of brought me up short."

Even for an actor who adores his regular role, there are concerns about being typecast. Miss Channing first took the part of Dolly Levi as a departure from her earlier signature role, Lorelei Lee in "Gentlemen Prefer Blondes." Although she has played in "Hello, Dolly!" more than 2,000 times, she has let as much as 10 years elapse between productions. Mr. Kiley said that after playing the heroic innocence of Don Quixote more than

2,000 times, he relished the evil of Molière's "Tartuffe." But John Raitt recalled the problem he had breaking loose of the Western tough guy image he created in "Carousel" and "Oklahoma!"

"I was turned down for 'La Cage aux Folles,'" he said, "because I was told I was too strong. People have an image of John Raitt playing these John Wayne kind of roles. I asked Ann Miller if she could imagine me playing George, one of the homosexual lovers, and she said no. That's kind of sad. Olivier, people like that, could do so many different roles. I've been known for Curly in 'Oklahoma!' and Billy Bigelow. I don't mind that, except no one writes parts like that anymore."

Mr. Brynner faced a more particular problem. He avoided being typecast fairly easily — playing in films like "Anastasia" and "The Magnificent Seven," directing a documentary about war refugees for CBS television, working for the United Nations High Commission on Refugees — but he had to endure the most superficial kind of fame. It centered on his shaved head. To much of the media, the idea that a bald man would be sexy qualified as an epiphany. "Brynner's Romantic Image Lifts Baldies," said one newspaper headline.

"Suddenly I was a public figure," Mr. Brynner recalled. "And that was difficult to cope with. It didn't go with my whole personality, my whole being. I was a private person; I still am. And to suddenly be the subject of blarney in gossip columns, I was in fear of becoming an eternal Jayne Mansfield. The endless questions about my hair — 'What time do you shave?' 'How many times a day do you shave?' Once I got so mad I told a journalist, 'If I thought my success was because of shaving my hair, I'd cut off my head.'"

"It got so I dreaded opening a paper. So when I went to work for the U.N., it was a little deliberately selfish. I wanted to do that work, but it also did something to reconcile this celebrity image that I had such a distaste for. I was able to take that overflow of attention and use it to make people aware of something important, of a blemish on humanity. And that did something good for me."

But for Mr. Brynner — like Miss Channing, Mr. Kiley and Mr. Raitt — the time away from his best-known role represented a sabbatical, not a permanent break. And in playing the same part, speaking the same lines, thousands of times, each of the actors had to devise ways of revitalizing their performance.

"My God," Miss Channing said, "there're all those people out there, thousands of people. That's pretty frightening. How can you not be afraid of giving a bad performance? You lose your concentration and you lose the laugh. I'll go to my grave remembering the laughs I didn't get because something crossed my mind — 'Gee, I'm hungry. I wonder where we'll eat tonight.'"

"What I do," Mr. Kiley said, "is imagine a person in the audience who's never seen the show. I give that person all the sympathetic qualities — the little stenographer who's saved her money to see the play — and that carries you through the show. I also keep reminding myself that if you know a good story or anecdote, it may be boring to you, but there's a person who's hearing it for the first time. To tell it to that person and hear their reaction gives you a once-removed pleasure."

Mr. Raitt puts the challenge in terms of being a professional. "People ask how you keep it fresh," he said. "That's our job. And it's a great heritage we have. You play tricks with yourself. I always keep track of all my house seats, so I know who's out there, and I play for them. Who you have to do is say, 'This is my art and my business.' You have to re-create, re-act. You have to love your role and be businesslike enough to do it eight times a week."

Mr. Brynner says that he has never used any tricks or

Arts & Leisure

played to anyone special in the audience. Rather, he speaks of a gradual process of immersing himself in the role each night. "I couldn't even explain exactly what it is," he said. "It's something that happens while I'm making myself up and I'm alone. When you've played eight performances a week for as long as have, some juices start running."

"Then I like to sit on stage left, where the stage manager sits, during the overture. I get the audience's pulse from their reaction to the music, from their sound. It doesn't even consciously enter my mind. It's instinctive. It's spontaneous. Are they sluggish and slow? Are they open and eager? You must get a sense that you're a storyteller and you're presenting a story for the first time to people. That is especially true for a play that attracts so many children."

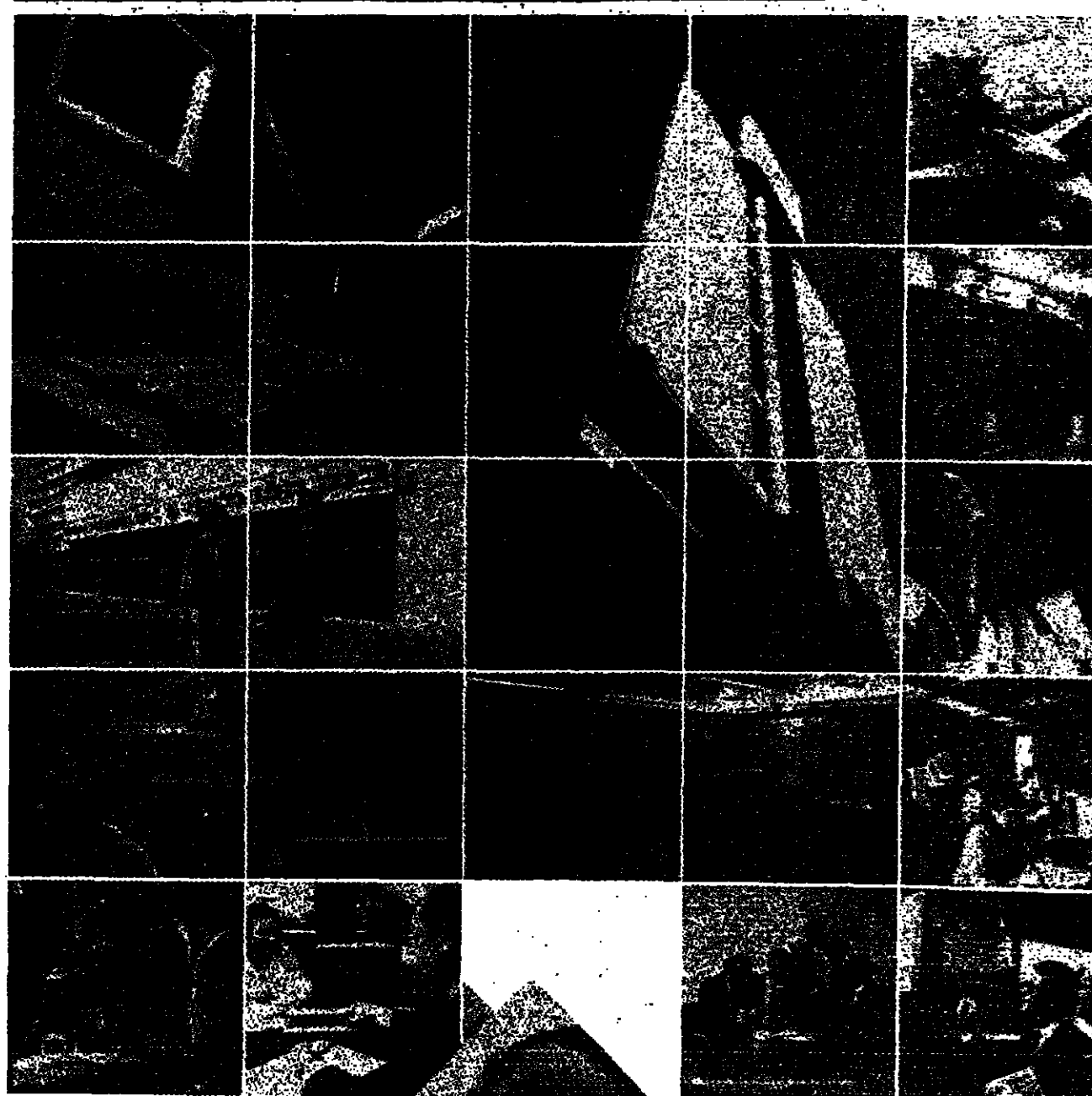
But even in a long-running show, and even with a veteran actor, the theatrical machinery can break down. "One night I opened my mouth to sing 'The Impossible Dream,'" Mr. Kiley recalled, "and I couldn't remember

'I never identified with the King — except on stage,' said Mr. Brynner. 'Then, he takes over.'

the words. I broke out in a cold sweat, because I realized everybody knows the words and there's no way I could ad-lib. But I opened my mouth and some kind of automatic pilot took over. But I think if it ever happens again I'll stop and say to the audience, 'This is what happens when you sing the same song 2,000 times. Please forgive me.'"

Mr. Brynner recalled a similar moment of terror on opening night in New York for the 1977 revival of "The King and I." "The princess is explaining something to Anna," he said. "Lady Chang tries to stop her from telling, and I say, 'Oh, no, this is...'. And I couldn't come up with the word, which is 'suitable.' So I went to my head and came up with 'convenient.' But I was shocked. It was inexplicable. Fortunately, something like that happens only once every 1,000 performances."

Mr. Brynner maintains that the biggest advantage of his 33 years as the King — beyond, no doubt, financial security — is the chance to grow into the role. When Rodgers and Hammerstein first asked him to read for the role, on the suggestion of a mutual friend, Mary Martin, Mr. Brynner was content as CBS director. He had curtailed his acting ambitions since going on as an understudy and being pelted with a shoe from the mezzanine. "And it was a perfectly serviceable shoe," he recalled. "The man must have really hated me." Even after accepting the role of the King, Mr. Brynner feels in retrospect, he had neither the maturity nor enough time on the out-of-town tryout to fully convey the character.



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Fine Actors Leave a Legacy

By PAUL KRESH

The voices of several of the most distinguished performers of our age have been silenced forever by death in the past year or so, yet a number of them are still able to reach our ears through the recorded legacy they bequeathed to us.

The rich, resonant voice of Richard Burton, for example, with its Welsh musicality and wide expressive range, may be heard in the Argo recording of Dylan Thomas's best-loved play, "Under Milk Wood" (two cassettes, SAY 13), where the listener can spend a memorable day with the amazingly articulate inhabitants of a Welsh fishing village. Mr. Burton heads a splendid cast in what was originally a BBC production directed by Douglas Cleverdon (the play was written for radio), a version surpassing in polish and professionalism even the Caedmon recording featuring the organ-toned presence of Thomas himself. Mr. Burton's virile, brooding embodiment of Hamlet is still available as well, on the Columbia Special Products label (four disks, CSP, ADOS-702). He can also be heard reading a program of his favorite poems, which happen to be among the finest in the language, on Argo (SAY 18), and Coleridge's "Rime of the Ancient Mariner," along with a number of other Coleridge poems, on the same label (SAY 46).

One voice frequently recorded over the years has been that carousing, supple, yet astringent instrument instantly identifiable as belonging to James Mason. Mr. Mason's rueful, reflective method can be heard perfectly wedded to the world-weary tone of the material in his reading of

passages from "Ecclesiastes" (Caedmon cassette SWC 1070). He also recreates his movie role as Humbert lusting after the nymph heroine in an abridged version of Vladimir Nabokov's "Invitation of a Beulah" (TC 1680, cassette CP 1680). Among his most admired albums are his treatments of Robert Browning in "The Poetry of Browning" (Caedmon cassette SWC 1048) and "My Last Duchess and Other Poems" (cassette SWC 1201). Indeed, his range as an interpreter of poetry was considerable, as illustrated in his readings for Caedmon of A. E. Houseman, Swinburne, and Wilde. Nobody could surpass him, either, at conjuring up a sinister, spooky atmosphere, as in Kafka's "Metamorphosis" (two disks TC 1594, two cassettes CDLS 1594) and Mary Shelley's "Frankenstein" (TC 1541, cassette CP 1541). One of the last recordings he made is an especially intense, suspenseful go at a three-hour condensation of Graham Greene's "Third Man" (Listen for Pleasure, two cassettes, 7103).

Another great player recently lost to us who lent his prodigious talent frequently to the recording medium was Ralph Richardson. That gravelly yet so endearing voice, in which you could almost hear the twinkle in the Richardson eye, is an unforgettable Scrooge in the Caedmon classic dramatization of Dickens's "Christmas Carol" (TC 1135, cassette CP 1135). He is Caesar himself, and a compelling one, in Shakespeare's "Julius Caesar" (Caedmon three disks SRS 230, three cassettes CP 23), Angelo the Deputy in "Measure for Measure" (three disks, SRS 204, three cassettes CDLS), a totally endearing Cyrano in Rostand's "Cyrano de Bergerac" (three disks TRS 306, three cassettes CDLS 306) and a master of comedic subtlety as Peter Teazle, the maligned husband in Sheridan's "School for Scandal" (three

disks TRS 305, three cassettes CDLS 306). One of his finest recorded efforts is as Charles Swann, recounting the tale of his ill-fated love affair with Odette de Crécy in an astutely abridged treatment of Scott-Moncrieff's translation of Proust's "Swann's Way" (two cassettes SWC 2017). Mr. Richardson, too, left a number of fine recordings of English poetry on Caedmon.

Flora Robson never re-created her stern performance as the nurse in "Romeo and Juliet" on disks (that role went to Dame Edith Evans, who certainly made the most of it, in the Caedmon album) but Miss Robson's severe and stirring way with a Shakespearean line can be heard to excellent advantage in "All's Well That Ends Well" (Caedmon three disks SRS 212, three cassettes CDLS 212), where she plays the old Countess of Rousillon. She also can be heard as wise perceptive old Aunt Agatha in T.S. Eliot's "Family Reunion" (three disks TRS 308, three cassettes CDLS 308).

We are lucky, again, to be able to hear the pliant, luminous music of the late Celia Johnson's voice reading passages from Virginia Woolf's "Mrs. Dalloway" and "To the Lighthouse" — including the breathtakingly beautiful section describing the passage of the seasons (Caedmon cassette SWC 1105). On the same label, she imparts a special magic to the prose of Katherine Mansfield's best-known stories — "A Garden Party" and "Bliss" (cassette SWC 1133). She is also aptly cast as Iago's wife, Emilia, in "Othello" (three disks SRS 225, three cassettes CDLS 225), as Alise Solness in Ibsen's "Master Builder" (two disks TRS 307, two cassettes CDLS 307), and as Lady Britomart in Shaw's "Major Barbara" (four disks TRS 346, four cassettes CDLS 346).

Paul Kresh writes frequently about recordings.

Money Matters

Monday, December 24, 1984 The Jerusalem Post Page Seven

(Continued from Page One)

small, capital-starved but rapidly growing economy, there was no other way of getting things done quickly and efficiently.

The post-Six Day War boom saw a massive expansion of the banks' network throughout the country. Population growth and a rise in the standard of living triggered a demand for financial services, which the banks were happy to provide. National and corporate interests were advanced simultaneously.

The growth of trade and the increasing need for foreign capital to maintain the pace of economic expansion (which was almost the highest in the world in the quarter-century until 1973) focused the eyes of economic policymakers on overseas financial markets. However, the Arab boycott and the high military-risk factor that these markets associated with Israel, made government or government-guaranteed debt a difficult item to market.

This became far more true after the Yom Kippur War, when Westerners looking to Arab oil wealth and Israel's need for capital — in terms of urgency and quantity alike — reached peaks. The government requested (which, given the national circumstances, meant ordered) the banks to step into the breach, and to obtain sources of finance from the international community.

"This led to the banks' move abroad, and the building up of their overseas network to obtain deposits and funds. Their expansion, however, had to be financed by massive increases in their equity capital. This could only be obtained in the stock market and here the problem of the government's monopoly on capital, through the medium of index-linked bonds and savings, became a major hurdle.

It was to surmount this that the idea of making the bank shares into a substitute for index-linked bonds was conceived. The ever-growing needs of the banks for more capital, and the increase in the rate of inflation over the years 1974-1980, forced them to ever-larger share issues and steadily greater degree of support for those shares that had been issued. The stock-market explosion of 1977 and subsequently, and the general increase in liquid assets in these years, brought ever greater demand to bear on the bank shares, so that their price rises became sharper and sharper.

Eventually, in the period of Yoram Aridor's Finance Ministry, the government prevented the banks from making further share issues, and the banks lost control of their share prices. Then, when Aridor's ill-conceived policy of holding back the rate of inflation sparked a run from shekel to dollar assets, the banks were forced to support their share prices, because the Treasury and the Bank of Israel did not know how to get the banks down from the tree they had chased them up. The result was the bank share fiasco of

ISRAELI BANKING

October, 1983.

Meanwhile, inflation had caused the banks severe problems in several other fields. Their nominal profits, published annually, were apparently enormous and made them into the taxation miltch-cow of local and central government alike. They were the highest payers of income tax in the country, and were discriminated against in the system of VAT and employers' tax as well. All this came from profits which, for many years before 1982 (the first year for which they prepared inflation-adjusted accounts) were almost entirely paper, or inflationary make-believe. Thus their capital was being severely eroded. Even the 1982 law of Taxation Under Inflationary Conditions gave them less protection than any other sector, because of the old myth that they had so much profit that they didn't need more.

At the same time, in the late Seventies and early Eighties, the government gradually reduced the profit-margins of the banks in almost every sector, on the basis of the same mistaken belief that they made huge and growing profits.

All these factors led to the crisis that exploded, as far as the public is concerned, in late 1983. However, the banks had realized the gravity of their situation earlier, and had begun to take measures to put things right. Despite the terrible public image they have following the disaster involving their shares, they feel that at the Bank of Israel, the Treasury and the government in general, there is a greater appreciation of their minimum needs, while the need for their services, both at home and abroad, is as acute as ever, if not more so.

The government, conclude backers of the Objective Circumstances Theory, must stand behind the banks, create conditions for their continued operation and ease the tax burden on them. If these things are done, the banks will be able to serve the nation again while maintaining themselves as profitable entities.

The Sovereign State Theory — Banks Above the Nation.

The Jewish Agency and the Histadrut holding-company, Hevrat Ha'ovdim, long predate the State of Israel. Their financial arms were Bank Leumi and Bank Hapoalim respectively.

These banks gradually became the focal points of the total wealth and activity of their parent organizations. In addition to their large role within these empires the government's incompetence in managing its own affairs forced it to use the banks to do many jobs that it wanted to do but could not according to this theory. By enslaving the banks, it became enslaved, or at least indebted, to them, and left them a free hand in running that small part of their business that did not stem directly from government-inspired

activities, while turning a blind eye to their expansion into non-banking areas.

The surge of growth following the Six Day War coincided with the arrival at Bank Hapoalim of Ya'acov Levinson. Within a few years he had transformed the sleeping giant into a dynamic force at home and abroad. In so doing, the theory's proponents say, he brutally forced the sprawling Histadrut empire to channel its finances through his bank, and set out on a policy of unrestrained growth. Leumi, the biggest bank and traditional leader, was stung into a similar response, and the other banks were soon dragged in as well.

Size became the overriding criterion of success. It was mistakenly assumed that profit would follow. The banks opened branches by the dozen, up and down the country. They "offered" their services to employers in package deals that were designed primarily to boost their balance-sheets.

With the banking network encompassing almost the whole population, the banks could press their case to the government to be the marketers of government debt through their role as stock market brokers (i.e. selling government bonds and government-authorized bonds issued by their own subsidiaries) and directly, through savings schemes. Later came the expansion of bank-managed mutual funds, which also developed out of the growth of their role as stock market brokers.

Growth required endless new capital, particularly since inflation eroded the existing capital base. In their limitless ingenuity, continues the theory, the bankers invented and refined the concept of the share-that-was-really-a-bond, and convinced every one, including themselves, that this unheard-of creation was better than the government's own paper. The twin frenzies of growth at all costs and competition on every possible front led to the reckless bidding-up of their share prices. When finance minister Yoram Aridor, for reasons of his own, prevented the banks from raising more capital on the market, they lost their source of supply and prices soared.

Finally, the banks unable to tame the *golens* they themselves had created, were forced to buy back the self-same paper they had distributed, until their resources to do that were exhausted. Then the shares crashed.

The banks' fatal mistake, was in their failure to fight against, or even appreciate the gravity of, the inflationary cancer. Instead, they played along by investing their money in more, and above all, larger and more luxurious real estate, both for branches and head offices. Another funk-hole they used to protect their dwindling real capital was expansion overseas.

The lure of foreign shores was especially tempting, since it let them do what they could not do at home — indulge in normal commercial banking activities. Their huge and swollen balance sheets hid their professional frustration — of all the billions supposedly under their control, only a small, and shrinking, fraction was actually theirs. All the rest was money channelled to, from and on behalf of the government.

Abroad, however, they could be real bankers, and hobnob with their peers — for were they not, after all, in the top hundred banks in the world? Therefore, when the state needed

foreign loans, whether for trade, for development or, later, for financing overconsumption and government mismanagement, they were there, pushing their services, undermining other alternatives and plugging themselves as the nation's irreplaceable go-between to the gnomes of Zurich and their American counterparts. To a government comprised of politicians with little or no knowledge of the international financial markets, and in the framework of the symbiotic relationship that had grown up between the government and the banks, it seemed an obvious and ideal solution.

At the same time, say this theory's advocates, the government's endless appetite for money led it to use the banks' supposedly huge profits as a major source of its own income. It taxed them to the hilt, and snipped relentlessly at the margins and other profit-substitutes that it had originally granted. The bankers, unwilling to admit what the analysts knew from the late Seventies onwards — that their profits were inflationary, and that most of their real profits came from non-banking activities (stock-market and real estate speculation) — sat passively by while the corporations they were in charge of were bled slowly to death. The banks, unlike almost every other group or industry, failed to form a parliamentary lobby. In this vacuum, the ever-unpopular banks became an easy target for publicity-seeking MK's.

The services so blithely provided for all were given free or at the most minimal charge. The relentless growth of the banks' physical presence caused severe and lasting distortions to the real estate market. Their equally ruthless purchase of personnel, and the consistently high wage awards they gave their staff to ensure their acquiescence in management's policy, fed into the rest of the economy and pulled the labour market into an inflationary spiral. The bank-share phenomenon paralyzed, and ultimately destroyed, the capital market.

Supporters of the Sovereign State Theory remind us that classical economics recognizes only three basic factors of production: land, labour and capital. The banks, with the help of the inflationary contagion whose primary bearers they became, controlled and distorted all three. They destroyed the economy.

The inevitable conclusion of the Sovereign State Theory is that, at the centre of the restructuring of the economy, the power and role of the banking industry must be very significantly reduced. The close relationship with the government must be broken wherever possible, and the banks left to play a more suitable and responsible role in the economic life of the country.

These, in stark outline, are the two contending conceptions. It should be clear that, like two parallel lines, there is no meeting point between them. In other words, there can be no glib resolution along the standard "truth lies somewhere between the two" pattern. The underlying philosophies do not permit that.

However, as will be seen, it is now distinctly possible that the new and harsh objective circumstances of the Eighties are creating a banking system that will be quite different, in operation and orientation, than that which existed until now.

FOREIGN CURRENCY

INTERBANK SPOT RATES:

	US\$	DM	Swiss FR	Belgian Cof	French FF	Italian Lire	Yen	US\$
1.1745/1.1760	per \$							
3.1130/3.1150	per \$							
3.5150/3.5200	per \$							
2.5602/2.5670	per \$							
62.5002/62.5010	per \$							
9.5300/9.5300	per \$							
247.702/247.90	per \$							
0.9848/0.9858	per SDR							

GOLD \$311.00

FORWARD RATES:

	1 month	3 months	6 months
1.1732/1.1739	2.5579/2.5580	3.1085/3.1086	
1.1702/1.1707	2.5282/2.5283	3.0882/3.0883	
1.1700/1.1702	2.5080/2.5081	3.0752/3.0753	

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Shares take another step forward

MARKET COMMENT

By JOSEPH MORGENSTERN

market action can be best termed as a lack of a suitable investment alternative.

Insolent as actual trading is concerned, the "ups" comfortably led the "downs" yesterday, as 29th shares moved higher while only 90 others declined.

Moreover, there were 51 "buyers only" and only 14 other securities were traded as "sellers only." Trade turnovers were moderate and accounted for 151.85 billion.

The index-linked bond market generally tended downward, almost as if investors had correctly guessed the low level of inflation for the first two weeks of December.

For those trying to pinpoint "action," Zion Cables spurred ahead by 39.5 per cent and the investment company group, Gahcet, was ahead by a solid 13 per cent.

FIBI was on the "buyers only" list as speculation as to a change in ownership was rife. In addition, investors and speculators alike, were reacting to published reports that the First International Bank of Israel would earn in the current fiscal year, some \$70m which is more than its total market capitalization about \$60m.

Mortgage banks saw their recent upward surge slowed but neverhe-

less gains of up to 5 per cent were visible.

Land development and real estate shares continued a higher upward performance with gains of up to 10 per cent. Oil company issues, without any news to support the action, were higher by up to 6 per cent.

Announcements: The Bank of Israel, encouraged by the positive response to the recent bond issues under the new system, is steadily increasing the scale of each new issue. The next bond will be issued on December 26, and will be of a nominal value of 156 billion. The minimum price accepted at the auction will be 85 per cent of par. It will be recalled that the last such issue was sold at a price of 92.

North America Israel Oil Exploration Ltd. published its figures for the half-year ending September 30, 1984. After adjustment to inflation, the company had a small profit of 151.12m, in September, 1984-value shekels. This profit, small as it is, represents a dramatic turnaround from the equivalent 1983 loss of 152.91m, in the same period.

Terol, the company which bought control of North America Oil in July of this year, also reported a swing from loss to profit, although of slightly less dramatic proportions. In the six months to September 30, 1984, the company made 158.45m, profit, after inflationary adjustment, compared to a loss of 156.5m, in April-September, 1983.

Tel Aviv Stock Exchange daily price quotations

Company	Price	Volume	% Change	Company	Price	Volume	% Change	Company	Price	Volume	% Change
Commercial Banks				Hotels, Tourism				Avia	14.40	20	+2.4
Bank Leumi	8900	14	-1.1	Gal Zohar	no trading			Angel	600	64	n.c.
Bank Hapoalim	2520	10	-0.6	Gal Zohar	no trading			Shemen P	2298	167	+4.8
Bank Mizrahi	688	456	n.c.	Gal Zohar	no trading			Textiles and Clothing			
Bank Discount	2501	72	-7.4	Gal Zohar	no trading			Adgar	1155	133	+2.7
Bank Arzi	2885	71	n.c.	Gal Zohar	no trading			Adgar	825	20	+1.2
Bank Arzi	1589	58	n.c.	Gal Zohar	no trading			Adgar	351	10	+1.2
Bank Arzi	3280	30	+3	Gal Zohar	no trading			Adgar	250	30	+1.2
Bank Arzi	680	102	+4.9	Gal Zohar	no trading			Adgar	250	30	+1.2
Bank Arzi	130	10	+4.8	Gal Zohar	no trading			Adgar	250	30	+1.2
Bank Arzi	346	10	+4.8	Gal Zohar	no trading			Adgar	250	30	+1.2
Bank Arzi	945	10	+4.9	Gal Zohar	no trading			Adgar	250	30	+1.2
Bank Arzi	93	10	+5.0	Gal Zohar	no trading			Adgar	250	30	+1.2
Commercial Banks				Hotels, Tourism				Textiles and Clothing			
Bank Leumi	24180	421	n.c.	Gal Zohar	no trading			Adgar	1155	133	+2.7
Bank Hapoalim	2520	10	-0.6	Gal Zohar	no trading			Adgar	825	20	+1.2
Bank Mizrahi	688	456	n.c.	Gal Zohar	no trading			Adgar	351	10	+1.2
Bank Discount	2501	72	-7.4	Gal Zohar	no trading			Adgar	250	30	+1.2
Bank Arzi	2885	71	n.c.	Gal Zohar	no trading			Adgar	250	30	+1.2
Bank Arzi	1589	58	n.c.	Gal Zohar	no trading			Adgar	250	30	+1.2
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Bank Arzi	945	10	+4.9	Gal Zohar	no trading			Adgar	250	30	+1.2
Bank Arzi	93	10	+5.0	Gal Zohar	no trading			Adgar	250	30	+1.2

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Stability can be home-made

THE AMERICAN administration has turned down Israel's request for an additional \$800m. of emergency aid in fiscal 1985. But only for the time being: the official statement in Washington speaks of a "deferral" of a decision on such aid. "pending the adoption of an effective Israeli stabilization programme and a determination of the utility of such U.S. assistance in supporting such a programme."

Significantly, the statement does not seek to prescribe to Israel how it should stabilize the economy. It merely speaks of an "effective stabilization programme" - and doubts, by implication, whether extra U.S. aid is necessary or useful for that.

The most immediate problem that the Reagan Administration wants to see tackled, it seems, is that of hyperinflation. Without price stabilization, it is well-nigh impossible for economic policy to address itself effectively to the balance of payments problem - which remains our gravest structural problem in the longer run.

Throttling inflation on a lasting basis - as distinct from repressing it temporarily by the price-wage freeze of the package deal - does not require an addition to our foreign currency reserves. Yet there is no indication that President Reagan has reneged on his promise to Prime Minister Shimon Peres that the U.S. would provide Israel with a "safety net" if, in its stabilization efforts, it ran into balance of payments difficulties.

There is in fact no reason to believe that a stabilization policy will run us into a balance of payments problem. On the contrary, it should make it easier for the government to finance its expenditures from higher tax revenues and from more domestic borrowing, instead of by selling the public foreign currency that has to be borrowed abroad.

Stabilization is therefore the precondition for improving our foreign payments position - and there was and is no urgent need to come hat in hand to Washington for that. The Americans are probably right in suggesting that it is not necessary to spread a safety net before Israel is ready to jump.

They are also right in implying that we do not yet have an effective stabilization programme. All that our delegation brought to Washington last week was the package deal and resolutions on budget cuts which are, for the most part, deferred for later and are, moreover, to be spread out over several years.

The package deal, now past its midpoint, has, however, been successful beyond expectations in giving the country a pause in the mad inflationary race. The data released by the Central Bureau of Statistics yesterday show that in the first half of December prices were virtually stable. There is no reason to believe that they will race up again in the second half of the month. As a consequence, there will be no cost-of-living allowance in January - and that, in turn, will contribute to a further slowing of inflation.

If the achievement of Package Deal I can be maintained in Package Deal II, an artificially created stability may lay the foundations for a genuine and lasting stability by making it possible to tackle the economy's fundamental weaknesses.

What the U.S. has asked for as a precondition for additional aid - an effective stabilization programme that sees beyond the 1st of February - is what the Israeli public has itself been asking for from the government. So far, that call has gone unheeded. And to answer it, we do not really need more American aid right now.

Pressure to be resisted

REPORTS from Lebanon that portray the Druze there as being savagely put upon by the Christians, and by the Christian-Lebanese Army, are agitating the Druze community in this country. Local Druze leaders have been urging the government to allow their young men, acting either within the framework of the IDF or as individuals, to volunteer for service with Walid Jumblatt's militia.

If this request were turned down, the government was told at a mass rally held at a Galilee village over the weekend, the young Druze would cross the border anyway to fight along with their co-religionists.

The request must, of course, be turned down. Israel cannot appear to be taking sides in what is part of the ongoing, and never-ending, communal strife within Lebanon. Especially when the Druze are not facing any danger of massacre by their enemies. What is happening in Lebanon today is that the Druze are spurring with the Lebanese Army over control of the area stretching between the southern suburbs of Beirut and the Awali River.

Hard pressed by the Syrians to give way to the army, Mr. Jumblatt is evidently seeking to elicit Israel's support as a counter-weight, and he is using Israel's loyal Druze community for the purpose.

Israel, for its part, cannot be too anxious to permit muscle-flexing by the Lebanese Army to create the pretence that this army is any way a fit substitute for Unifil between the Awali and the Zaharani, as Beirut's negotiators at Nakoura were contending before the talks were recessed last week. But Israel is not, it may be hoped, going to be sucked deeper into the Lebanese communal quagmire at a very time it is struggling to get out of it.

PERES-PRICES

(Continued from Page One)
will demand that steps to reduce unemployment be a central component of any new agreement.

The Histadrut will react positively to proposals that the shekel be linked to a stable unit or basket, the Histadrut sources said, but it is likely to oppose full "dollarization."

The sources said that the Histadrut would go along with Modi's demand that the prices of subsidized items be allowed to rise in any new deal.

Kessar reacted with satisfaction to the low rise in the consumer price index for the first two weeks of December. He said this proved that the package deal was having the desired effect.

Speaking to the Histadrut functionaries in Jerusalem, Peres indicated that a year-long stabilization programme would not mean an absolute freeze on prices.

There is dreadful waste. Why should water be subsidized at 280 per cent? Why should petrol for private vehicles be subsidized at 130 per cent?

"It won't be a disaster if we drive a little less," said the premier, whose speech emphasized that workers must move from services to production.

In 1977, said the prime minister, there were 310,000 workers in the

production sector. "Today there are the same amount, but the country has grown, the services have grown. The move to production can be made without unemployment," said Peres.

"The crisis is not only at Ata," said Peres, referring to the closure threat at the northern textile plant. "There are 3,000 turkey farmers on the verge of bankruptcy and we're importing meat at \$70 million a year. It wouldn't be a disaster if we restrain ourselves for a few months - to save a productive sector of the economy."

Explaining that he believes the U.S. will help Israel, Peres raised his voice to insist that "the economic recovery is in our hands - not in Washington."

He described as "rumours" reports that the U.S. has turned down an increased aid package, and stressed that he believes that U.S. will provide all the aid it can.

Relaxed enough to join in a brief singalong at the start of the reception marking the 64th anniversary of the Histadrut, Peres joked "now I've got tenure" as he received honorary membership in the Jerusalem branch of the trade union.

Histadrut Jerusalem chief, Nissan Harpaz answered quickly: "I can guarantee that for two years." Peres then quipped, "Is that all?"

THE RISKS OF REDEPLOYMENT

By A.E. NORDEN

NOW THAT the Nakoura talks seem to be in total deadlock, one possibility being talked about is that the IDF in Lebanon will be withdrawn from its Awali River line to the Zaharani River.

But the probable consequences of a mini-pullback to the Zaharani are easy to foresee: Sidon, after a period of chaos, would become one big base of armed men hostile to us, and residents of the Shi'ite villages just south of the Zaharani, like Sarafand and Insariye, would help these fighters infiltrate, attack the Jewish soldiers and escape.

A new line at the Litani River, 19 kilometres further south, looks better. By moving to it, we could hope to be rid not only of Sidon, but also the mosques and alleys of Sarafand.

The new line might start where the Litani spills into the Mediterranean. But it couldn't run along the Litani for its whole length. Some 20km. inland, it would have to leave the river and turn due north, and this for two reasons.

First, if the line continued running along the Litani, it would pass within four kilometres of Metulla - too close. Second, no unilateral, partial withdrawal can reasonably be expected to include the evacuation of Jebel Barukh and the Bekaa Valley. These strategic prizes are not to be given up by Syrian President Hafez Assad for free.

For this reason, too, the most probable new line, if there is only a partial withdrawal, would have to depart from the Litani in the central sector and make a run straight north toward Jebel Barukh, along the way either including or skirting the Shi'ite stronghold of Nabatiye and the Maronite town of Jezzine.

In purely military terms, this new line would be far from ideal. Not only would it be much longer than our present line, but except for the short stretch running along the Litani, it would follow no natural features.

There are, nevertheless, some apparent, demographic advantages to moving to the Litani - and in Lebanon, demography is almost everything.

INSTEAD of sitting as we do today on 800,000 Lebanese, most of them Shi'ites, we would be sitting after redeployment to the Litani on only 350,000. Although these would still be mostly Shi'ites, we might hope for various reasons that it would be easier to get along with them. The reasons have to do with the history of the last nine years.

Since 1975, the people in the villages and towns in southern Lebanon in a strip of territory 10 to 15km. wide along the international border have been in closer touch with the

Jewish state than the Lebanese. It started when the civil war put an end to the fiction of a Lebanese nation-state and to the services it had provided. With Beirut inaccessible and in the process of destroying itself, the southern Lebanese in 1975 began bringing their sick and wounded to the Jewish doctors at what was soon to become the Good Fence.

Some of these suffering Lebanese were Christians. More were Moslems. We treated them all without payment and without asking questions - this is what anyone with a heart would have done. Twenty years before, Moshe Dayan had mused of finding "some major" who would be our man in a carved-up Lebanon. Yet the best evidence seems to show that geopolitical schemes followed, they did not inspire, the Good Fence.

OUR GEOPOLITICAL scheme as it emerged was to fashion a buffer zone between the northern border and the PLO kingdom in Lebanon, which was to be policed by our proxy, the Haddad militia. Years of effort and millions of dollars were put into that mini-army. Now Haddad is gone, and the PLO kingdom wrecked. But Lebanon is still full of menace for us. Our Arabists on the ground have tried for years to get the Shi'ites who form the majority in Haddadland to join what is now called the South Lebanese Army. Only if the Shi'ites and Christians were in it together could we hope for our proxy army and the buffer zone to last.

'We may have to persuade the locals that we intend for non-altruistic reasons to stay... and are ready to do whatever is necessary about ungrateful, disloyal troublemakers.'

If we unilaterally redeploy on the Litani, we'll get a better idea how successful these efforts have been.

Haddadland has come to resemble a part of the State of Israel. The approximately 100,000 people in the strip - Christians, Shi'ites and some Druze - have come to depend on Israel not only for medical care, but also for water, electricity, fuel, road repairs, postal service and agricultural advice. Hundreds have passes to cross the border daily to work in our hotels, factories and kibbutzim. Dozens have license plates allowing them to drive their cars back and forth for business and pleasure. It

reminds you of how the old Green Line between Israel and the Golan, or Israel and the West Bank, was smudged by design or the force of circumstance in the years after the Six Day War.

IS ISRAEL in a part of southern Lebanon to stay? It may turn out that way. One line of thinking among the experts who have the government's ear, and presumably its confidence, maintains that if the locals between the Litani and the international border believe that we mean to stay for the duration, most will cooperate and few will make trouble. Tat-Aluf Shlomo (Iya, head of the IDF's liaison unit in southern Lebanon, recently said as much in the army weekly, *Bamlahane*.

Such thinking is predicated on the principle of carrot and stick.

On the one hand, some of our experts believe that those who have been healed by us without paying, who depend on us for the means to live in the 20th century, will feel a certain gratitude, even loyalty toward the Jews. On the other hand, and in the same breath almost, the experts tell you that in order to keep the area between the Litani and the border from catching fire under our feet, we may have to persuade the locals that we intend for non-altruistic reasons to stay for the duration, and are ready to do whatever is necessary about ungrateful, disloyal troublemakers.

Now there are many people in Haddadland who do have friendly feelings toward us, not only Christ-

ians who remember how we saved them, but Shi'ites and Druze who have been treated by our doctors. And yet, the truth is that medicine is one thing, politics another.

The gratitude of ordinary people isn't a very powerful factor in politics. It isn't a feeling that can be mobilized and channelled effectively by politicians - it is, like the desire to be left in peace, rather weak. It is much less powerful, especially in our corner of the world, than fear, patriotism, greed, religious excitement and the urge to take revenge.

This is one reason why, if we move back to the Litani and dig in, things may not be easier, but may well become more difficult.

HADDADLAND isn't uniform. The Christians there, cut off from their heartland north of Beirut, may have no choice but to be our allies through thick and thin. But the Christians are outnumbered by the Shi'ites and Druze. In spite of our long hours of work among the Moslems of Haddadland, their loyalty can't be taken for granted. There are Moslem villages, and then there are Moslem villages. Some used to give shelter willingly to the PLO. In many villages there are struggles between the older generation and the younger; the lax and the newly pious; the fat and the lean; those who don't mind the Jews so much and those who can't stand us.

In the area between Haddadland and the Litani, most Shi'ite villages are already full of hate. The village of Aaihiye is one such. Rihane is another. Burj Rahhal and Marakeh, where we rounded up suspects while women jeered at us the week before last, are two more. We have made some blood enemies there, and also

Dry Bones



in the Shi'ite town of Tyre.

Even if we were ready to make Assad a present of Jebel Barukh and the Bekaa Valley, we would be obliged in a partial withdrawal on the western sector to keep sitting in Tyre, Marakeh, Burj Rahhal, Rihane and Aaihiye, since Haddadland alone is too narrow to serve as the shield that most of our experts seem to believe we must have for Galilee.

Thus, if we redeploy to the Litani, we would still be sitting on 350,000 Lebanese, more than 80 per cent of whom will be Moslems and more than two-thirds of whom would be outside the narrow strip which dur-

hermetically-sealed pressure cook-

er. As excellent as the new line as, however, as efficiently as it would shut off normal trade, topography would make it possible for infiltrators, explosives and weapons originating in the Shi'ite canton and elsewhere to get through. Would we make incursions north of the Litani, as we now do with questionable results north of the Awali? Would we make punitive and pre-emptive air strikes against Sarafand, where in June 1982 the people were not unhappy to see the IDF? It's a possibility we should be aware of.

THE EXPERTS, many of whom seem resigned to using a hard hand south of the new line, apparently hope that it - together with demonstrations that we mean to stay for the duration - will be sufficient to keep things under control.

The duration could be many years. We'd probably say that our army is staying put until the other side realizes that it has to negotiate sincerely. Meanwhile, we would go on trying to whip the SLA into shape so it could take over more duties from the IDF. It would probably be years before the other side is persuaded, and before the SLA becomes dependable - in fact, this may never happen.

The Shi'ite politicians in West Beirut and Sarafand would probably watch one another closely, lest any one of them makes a treasonous deal with us. They would keep sending assassins to deal with foolish Shi'ites who join the SLA. In this, Amal chief Nabih Berri and his rivals would have Assad's support. Having gotten us to retreat twice without concessions, the other side would feel that it had the momentum, that perseverance would bring unconditional victory, that the Israelis could be driven out of Lebanon without giving or promising us anything.

We wouldn't be able to retreat so easily from the South Bank. Whatever new depths of loathing for Lebanon most of us would plumb, we probably wouldn't be inclined to make a third unilateral withdrawal, this time to the international border. The price and risk of such a final retreat under pressure would seem too high to any government with any set of advisers.

Since a third retreat would seem to be out of the question for us, since the other side would think it could compel us to make it, the scene would be set for a full-fledged terrorist and anti-terrorist war that would make what is going on now pale in comparison.

Do the men leading us understand that these are the likely consequences of another unilateral, partial pullback?

Prime Minister Shimon Peres seems to understand. The question is whether, given Israeli politics, he will be able to order anything else.

READERS' LETTERS

A LEADER

To the Editor of The Jerusalem Post Sir. - Shimon Peres now reveals his true colours. In the past, he was portrayed as a political exploiter, lacking national leadership calibre and bereft of the aura of confidence the people needed. Even when he agreed to the unity government concept, pundits implied that power his primary motivation.

But recent months have shown the world and the people at home a different Shimon Peres. Not only has he re-centred relations with western European countries, captivating their leaders with charisma and knowledge, but he chose to stress Jewish traditions in representing Israel, despite the expected protests of the ultra-liberals. And he made that 11 p.m. appeal to Shas, whose ideology is antithetical to his own, for the sake of the unity government which he knows is imperative at this time.

Weaving in and out of different party circles, negotiating, compromising, cajoling - not to flaunt the power he now has, but to plead for a unity government - Peres is desperately trying to schlep Israel out of the economic, social and political quagmire it is in.

Unfortunately, the unity government and national interests have not inspired most of the cabinet members who haggle over their own priorities: personal ambition and favourite interests. More and more people are becoming disgusted at their displays of incompetence and indifference to the nation's burning issues, but Peres is a luminary above them.

He is Israel's statesman and has shown that he's the leader not of the socialists, capitalists, liberals, religiousists, secularists, Ashkenazi, Sephardi, hawks or doves - but of the state of Israel.

HERMAN SPECTER
Beersheba.

Neot Mordechai.

RUBY DANIEL

THE GREAT (ASHKENAZI) SYNAGOGUE

To the Editor of The Jerusalem Post Sir. - I recently visited the Great Synagogue in Jerusalem with some friends. It is a lovely manifestation of modern architecture: more for show than for worship. It impressed us very much until we saw the separate small synagogue for the Sephardim located downstairs. That was a shock! We think it should not have been there at all, and the synagogue should be named "The Great Ashkenazi Synagogue."

The way it is now is a slur upon the Jewish people as a whole.

I wonder if and when the Third House is built, will there be two Houses, or will there be an "upstairs and downstairs" arrangement?

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